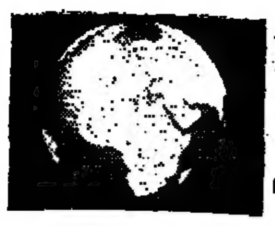

World healthcare
Services fail to cope with rising demand
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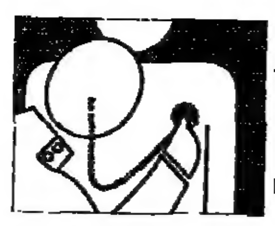

Plane sailing
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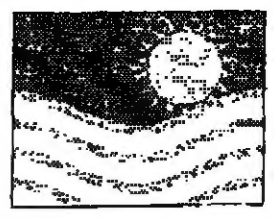

Renewable energy
What happens when oil and gas run out?
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FINANCIAL TIMES

Europe's Business Newspaper — WEDNESDAY SEPTEMBER 15 1993 — D8523A

Lufthansa Airbus crashes in flames at Warsaw airport

A German Lufthansa A330 Airbus crashed on landing in heavy rain in Warsaw and burst into flames. There were conflicting reports of casualties. Lufthansa said all 64 passengers and six crew on the flight from Frankfurt had survived, but Warsaw's fire brigade reported that up to 40 people were missing and may have been killed.

Clinton backs Nafta: The White House produced an extraordinary display of bipartisanship, pageantry and salesmanship which laid to rest any doubts about President Bill Clinton's commitment to congressional passage of a North American Free Trade Agreement. Page 18

Lafarge Coppée, French company that is one of the world's largest building materials groups, is seeking to capitalise on the strength of international stock markets through a share issue worth about FFr2.5bn ($446m). Page 19; Lex, Page 18

Approval nearer for steel plan: The European Commission will ask EC industry ministers to give outline approval to a politically sensitive restructuring package for the Spanish steel industry next week. But the Commission conceded that progress of the EC's overall rescue plan would be held up until Italy and Germany had agreed acceptable restructuring plans. The Commission now expects final agreement in November.

Tourist killed: Holidaymakers are cancelling trips to Florida, after the murder of a British tourist, in the latest attack on foreign visitors to the US state. Page 18

State of emergency called: Georgia's parliament unanimously voted to introduce a state of emergency for two months from midnight on Monday. The introduction of a state of emergency was one of two conditions under which Georgian leader Eduard Shevardnadze agreed to withdraw his resignation, tendered to deputies earlier in the day. The other was the suspension of parliament. Earlier story, Page 2

French move to block film imports: France stepped up the campaign to prevent what it sees as an American attempt to use the Gatt world trade negotiations to swamp Europe with Hollywood films. Page 18

Olympic bid threatened: Beijing's credibility as a contender to host the Olympic Games in the year 2000 seemed undermined as much of the world athletics community cast doubt on the validity of a series of astonishing results by female Chinese athletes. Page 5

Seat, Spanish subsidiary of the Volkswagen group which has just agreed a Pta120bn ($941m) rescue package, warned that it expected to suffer a loss of around Pta100bn this year. Page 19

Optimism on US economy: The US economy may be gathering momentum after a lacklustre first half, with consumer prices rising 0.3 per cent between July and August, the biggest increase since the spring. Page 6

Banker warns EC: Pro-European feeling in Germany could be at risk if the European Community persists in treating the integration of the former GDR as a purely German problem, said Dresdner Bank chairman Jürgen Sarrazin. Page 3

Dietrich memorabilia bought: The family of actress Marlene Dietrich, who died last year, has sold almost 100,000 of her possessions to the city of Berlin for around $5m, to form the centrepiece of a film museum to be built in the city.

Russia plans gold sale: The Russian government plans to sell Rbs1,000bn ($924m) worth of gold to Russian commercial banks as part of the Finance Ministry's battle to bring the gaping budget deficit under control, Sergei Alexashenko, deputy finance minister, said. Page 3

Kasparov wins again: Reigning champion Garry Kasparov beat UK challenger Nigel Short in the fourth game of the London world chess championship and now leads the 24-game series by 3½ points to ½ a point.

STOCK MARKET INDICES

FT-SE 100:	3028.0	(+3.2)
Yield	3.87	
FT-SE Eurotrack 100	1279.94	(+3.30)
FT-A All-Share	1505.10	(-0.0%)
Nikkei	20,947.79	(-200.32)
New York: lunchtime		
Dow Jones Ind Ave	3612.69	(-21.52)
S&P Composite	458.86	(-3.20)

US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.034%
Long Bond	104$\frac{5}{32}$
Yield	5.949%

LONDON MONEY

3-mo Interbank	5$\frac{13}{32}$%	(5$\frac{13}{32}$%)
Liffe long gilt future:	Sep 113$\frac{13}{32}$	(Sep 114$\frac{3}{32}$)

NORTH SEA OIL (Argus)

Brent 15-day Oct	$15.8	(15.735)

Gold

New York Comex Dec	$346.8	(344.8)
London	$345.25	(344.25)

STERLING

New York lunchtime:		
$	1.5455	
London:		
$	1.5465	(1.5425)
DM	2.485	(same)
FFr	8.665	(8.625)
SFr	2.16	(2.17)
Y	163.5	(164.0)
£ Index	81.2	(81.3)

DOLLAR

New York lunchtime:		
DM	1.61	
FFr	5.60475	
SFr	1.3995	
Y	105.635	
London:		
DM	1.6065	(1.611)
FFr	5.6025	(5.61)
SFr	1.3975	(1.4075)
Y	105.8	(106.25)
$ Index	64.4	(same)
Tokyo close Y 105.75		

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11		
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10		
Belgium	BFr65	Hungary	Ft185	Neth.	Fl 3.75	Slovak Rp	KSL45		
Bulgaria	Lv25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220		
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00		
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210		
Czech Rp	CZK45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15		
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20		
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl 22,000	Syria	S£50.00		
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250		
France	FFr9.00	Lux	LFr65	Qatar	QR12.00	Turkey	L8000	UAE	Dh11.00

Rabin seeks to maintain momentum for detente with visit to Hassan of Morocco

Jordan moves closer to full peace with Israel

By Mark Nicholson in Washington and Julian Ozanne in Jerusalem

JORDAN yesterday initialled an outline peace agreement with Israel, becoming the first Arab state to reach an understanding with the Jewish state since Egypt signed a full peace with its neighbour in 1979.

Just a day after Israel signed its outline agreement with the Palestinians, both countries initialled what they described as an "agenda" framing future negotiations towards an eventual peace treaty.

Mr Yitzhak Rabin, Israel's prime minister, meanwhile sought to build on the momentum for peace by visiting Morocco for talks with King Hassan, while Mr Yassir Arafat, chairman of the Palestine Liberation Organisation, met Senate leaders in Washington before travelling on to the United Nations in New York.

In Rabat, a spokesman for Mr Rabin commented: "It is the first time an Israeli prime minister has met an Arab leader out in public, other than the Egyptian leaders."

During an hour's meeting with about 30 senators, Mr Arafat requested a review and repeal of laws that impeded or prevented economic or other relationships between the US and the PLO and repeated his strong commitment to peace.

ISRAEL AND THE PLO

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- Arafat put to the test
- End to isolation beckons

- It's better late . . . Page 16

Mr George Mitchell, the Senate majority leader, said the general reaction among senators was to be helpful and that laws should be changed where needed.

In sharp contrast to Monday's ceremonials on the White House lawn, the Jordan agreement was initialled by Mr Elyakim Rubinstein, head of the Israeli delegation to the peace talks, and Mr Fayez Tarawneh, his Jordanian counterpart in the small Thomas Jefferson room in the State Department.

The modest affair took just over 10 minutes, after which the two signatories shook hands without hesitation or embarrassment. A small group of State Department officials applauded.

A draft text covering the outstanding issues between the two sides has been virtually ready to sign since last year. Jordan, however, delayed a final signing until progress had been made on the Palestinian-Israel negotiations.

The document contains undertakings from both sides to refrain from threats to each other's security and sets out the main areas for future discussion – notably on water rights, minor outstanding border issues and the status of refugees. "We hope this is just a first step, which will follow into an agreement based on comprehensive peace," said Mr Tarawneh.

The document calls for "steps to arrive at a state of peace based on Security Council resolutions 242 and 338" – which demand an Israeli withdrawal from the territories occupied since the 1967 war – indicating that Jordan is unlikely to sign a full peace deal with Israel until the Jewish state has done so with others.

In Israel there were mounting signs yesterday that Mr Rabin would face an uphill struggle to win the parliamentary votes he says he needs to pass the peace agreement.

Mr Arye Deri, leader of the

Continued on Page 18

US secretary of state Warren Christopher (far right) watches as Fayez Tarawneh (left) shakes hands with Elyakim Rubinstein after initialling an outline peace agreement between Jordan and Israel Reuter

Rexrodt abandons peace role in VW 'spy' row

By Christopher Parkes in Frankfurt

MR Günter Rexrodt, German economics minister, has unexpectedly abandoned his role as peacemaker between motor industry rivals Volkswagen and Adam Opel, the German subsidiary of General Motors.

He was being kept informed on the bitter dispute over the alleged theft of data and possible industrial espionage by Mr José Ignacio López de Arriortúa, the new VW production director. But the minister was "no longer active", a spokeswoman said yesterday.

"Nothing has changed, and when there is no willingness, then it is just a waste of time," she added. It is understood there are no plans for any further contacts with either side.

Mr Franz Wauschkuhn, Mr Rexrodt's personal spokesman, said recently that the minister's aim had been to try to prevent damage to political and business relations between the US and Germany and to find a way for the two companies "to work together sensibly".

Political observers said yesterday that, by leaving the legal investigation and the row to run their natural courses, Mr Rexrodt has withdrawn from an fast-moving, unpredictable situation in which he was ill-advised to intervene in the first place.

He was drawn into the fray by Mr Ferdinand Piëch, VW chairman, after Opel said it would agree to written exchanges with the VW chief if he publicly retracted statements that the US group was conducting a "war" with the intention of "defaming" Volkswagen. However, Mr Piëch was prepared only to offer not to repeat his accusations.

The minister last met Mr David Herman, Opel chairman, on August 26 in Frankfurt, the same day public prosecutors raided and searched VW head-

Continued on Page 18

Japan's economy shrinks as demand eases

By William Dawkins in Tokyo

JAPAN'S economy contracted in the second quarter this year, with gross national product shrinking by 2 per cent on an annualised basis and by 0.5 per cent from the previous quarter.

The decline in GNP, which if repeated in the quarter that ends this month would mean the country was officially in recession, will put pressure on the month-old coalition government to increase its plans for a further pump-priming economic package, due to be announced tomorrow.

Mr Yasushi Mieno, governor of the Bank of Japan, said yesterday he saw no evidence of imminent recovery. However, he expected further benefits of previous economic stimulus packages to emerge.

The Economic Planning Agency, traditionally more optimistic than the central bank, said it still thought there would be recovery in the second half of the current tax year to March.

Private sector analysts' forecasts for the full year range widely, from an economic decline to something below last year's 1.5 per cent growth, itself the lowest for 18 years. "The trade surplus is going up and there is no growth in the short term. Now let's get some policy response," said Mr James Vestal, chief economist at Barclays de Zoete Wedd in Tokyo.

The stimulatory measures due tomorrow will be the third such package in the past 16 months, during which the government has allotted nearly Y24,000bn ($226bn) of public spending. Growth reached 2.3 per cent in the first quarter, holding out the short-lived prospect of a recovery.

The previous two spending packages have begun to flow through, as seen in a 5.2 per cent rise in public investment over the previous quarter. Yet this was not enough to offset the continued slide in external demand – down 0.5 per cent, reflecting a fall in exports – and the decline in private consumption, down 0.6 per cent as Japanese spent less on cars, furniture and clothes.

Japan's trade surplus widened to $7.54bn last month, up 7.5 per cent from $7.02bn in the same month last year. Sluggish domestic demand and the impact of the rising yen on the dollar value of Japan's exports were the main factors. In yen terms, the surplus fell 11.3 per cent over the same period.

Japan's surplus with the US, its main trading partner, rose from $3.13bn to $3.45bn. This adds to strains with Washington just a few weeks before Mr Morihiro Hosokawa meets US president Bill Clinton for the first time since he became prime minister.

The strain on Japanese companies was highlighted yesterday when a private credit agency, Teikoku Data Bank, reported a 3.3 per cent annualised rise in August in bankruptcies with liabilities of more than Y10m. This was the first increase in four months; compared with July, company collapses were up 5.6 per cent.

One glimmer in the economic gloom appeared yesterday with a 5.6 per cent rise from June to July in machinery orders by the private sector. However, overall machinery orders, including from the public sector and export customers, fell 5.8 per cent after a 2.9 per cent decline in June.

Lex, Page 18

GM planning to acquire Japanese car parts makers

By Michiyo Nakamoto in Tokyo

GENERAL MOTORS, the US carmaker, is looking to acquire one or more Japanese parts makers to increase sales of components in the Japanese market.

Mr Philip Austin, vice-president of GM's Automotive Components Group in Japan, said: "To be a strong player in any market you need a manufacturing presence and we don't have one in Japan."

Although acquisitions of Japanese companies by foreign groups have been rare, Mr Austin said the timing was good since many Japanese car parts suppliers had suffered from the economic downturn. "Their investments in the US have become a burden and they are overcommitted in Japan with borrowings, so opportunities obviously exist," he said.

GM's move reflects its growing interest in developing its Asian operations. The components division, which currently sells over 70 per cent of its product to the parent company, is working to reduce its dependence on the North American market to 50 per cent of revenues by 2000.

US and Japanese trade negotiators will meet in Hawaii next week to discuss the possibility of encouraging Japanese purchases of US cars and car parts in an effort to rectify Japan's huge trade surplus.

US-made car parts have been more successful in penetrating the Japanese market than US-made cars. GM, for example, sells more than twice as much in components in Japan as it does in cars, and Mr Austin said GM expected sales to Japanese carmakers to reach $2bn globally by 1998, compared with $900m last year.

Japanese carmakers have stated their willingness to try to buy $19bn of foreign car parts in fiscal 1994 and there is a move on the US side to push Japan to set a similar target for 1995 and 1996 as well. Although the political pressure has helped raise awareness on the part of Japanese carmakers of the need for change, GM has sought to expand its business by working to better meet the needs of customers.

As a result the US company has even joined the supplier associations of Japanese car parts makers which supply a particular car company. These meet regularly to discuss their their customers' policy and improve communications with them.

CONTENTS

Shevardnadze risks all for more powers

By Leyla Boulton in Moscow

MR Eduard Shevardnadze, the Georgian leader and former Soviet foreign minister, yesterday took the last big political gamble of his career by announcing he was resigning as Georgia's head of state.

His decision, announced after a former ally accused him of dictatorial ambitions for seeking emergency powers to save Georgia from civil war, was rejected unanimously by parliament.

Although Mr Shevardnadze responded by telling parliament his decision was final, the move appeared to be a high-risk gamble to clear obstacles to his policies. He later told a rally of supporters he would return if parliament was suspended for three months and he was given the emergency powers he wanted. If his gamble fails, Georgia could be plunged into even greater chaos.

"Indeed, it would seem that no emergency situation can save Georgia, if every time you want to disarm some kind of illegal bandit formation, you found it has powerful protectors," he said, in a possible reference to Mr Jaba Joseliani, who made the accusations against him.

It was Mr Joseliani, one of Georgia's freelance warlords, who helped him return to power after overthrowing the former president, Mr Zviad Gamsakhurdia.

The silver-haired Mr Shevardnadze, 65, also appeared to seize on the opportunity to shake off once and for all his mantle as a former communist party boss. Since his return, he has gradually consolidated power in his own hands, becoming prime minister as well as head of state and parliamentary speaker.

With even impartial observers suggesting that he was returning to the ways he was used to in running Georgia as communist chief, Mr Shevardnadze has said that the crisis facing the newly-independent republic required emergency measures.

The problems have included attempts by Mr Gamsakhurdia, to fight his way back to power with military force, separatism in Abhazia and a collapsing economy.

For unlike the present leader of neighbouring Azerbaijan, Mr Geidar Aliyev, another former communist who returned to power by overthrowing an inexperienced nationalist, Mr Shevardnadze prides himself on being a genuine convert to democracy. "When they slander me by saying I want to work with communist methods and by the laws of the communist regime, I will not bear it," he said.

Yesterday's announcement was as emotional as his resignation as President Mikhail Gorbachev's foreign minister in December 1990.

Then he caused widespread consternation with a warning of impending dictatorship in Moscow.

Reuter

Shevardnadze: said he was resigning but may change mind

Norway cold shoulders EC

Hugh Carnegy and Karen Fossli on voter hostility to the Community

KNOCK-OUT against the EC, proclaimed the *tabloid* headline yesterday alongside a picture of Ms Anne Enger Lahnstein, leader of Norway's triumphant Centre party, her hand held high like a victorious boxer.

Prime Minister Gro Harlem Brundtland's Labour party may have "won" Monday's election by upping its vote and reinforcing its hold on power as a minority government. But there was no doubt in Oslo yesterday that the advance made by the Centre party, surging to become the second largest group in the Storting (parliament) on the back of its vehement opposition to Norway joining the EC, was the most dramatic feature of the electoral race and one which poses considerable problems for the government.

Labour was under no illusion before the election that winning a referendum on EC membership sometime during the term of the new parliament would be an easy feat. Now that task has been made more difficult, with anti-EC forces, even within Labour's ranks, strengthened in parliament.

The result will also have sent a shudder through the right-centre governments in Sweden and Finland. Not only will opponents to the EC in those countries take heart from the Norwegian election result, but prime ministers Carl Bildt and Esko Aho will have been dismayed by the dismal performance of their ideological allies in Norway, the Conservative party.

Under Mrs Kaci Kullman-Five, the Conservatives, the strongest advocates of Norwegian EC membership, suffered their worst defeat in 30 years, surrendering their traditional position as the second largest party. The Conservatives will have just 29 seats in the 165-member parliament, while the Centre party will have 31, almost three times its representation in the previous Storting. The other right-of-centre forces, the Progress party and the Christian Democrats, also lost heavily.

Before the election the Centre party was a marginal force, ranking sixth among the seven parliamentary parties. Formed in 1920 to represent farmers, whose proportion of the workforce has now fallen to less than 5 per cent, its previous highest share of the vote was 11.6 per cent in 1973, following the 1972 referendum rejecting EC membership.

On Monday it won 18.5 per cent of the vote as it cashed in on widespread support for its defence of Norway's independence and system of high subsidies to the country's remote rural communities.

Norwegian Election

Projected results*

Parliamentary seats: 165**

	1993	1989
Labour	67	63
Centre	31	11
Conservative	28	37
Socialist Left	13	17
Christian Democrat	13	14
Progress	11	22
Liberal	1	0
Red Choice Alliance	1	0

Forecasts by the Norwegian news agency NTB, based on 89.1% of the vote. The 1989 parliament had 164 seats.

NORWAY'S Labour government pledged yesterday to press ahead with its application for membership of the European Community and said it believed it could still win domestic support despite the big gains made by the anti-EC camp in Monday's general election, write Hugh Carnegy and Karen Fossli in Oslo.

"There is still a majority in parliament in favour of our application. We are going to continue to negotiate to join the Community," said Mr Jens Stoltenberg, deputy leader of the Labour party. "The real debate has not yet started."

The party's popularity was boosted by the down-to-earth charm of the youthful Ms Lahnstein, who hammered home a relentless message that the EC must be rejected, earning the nickname "The No Queen".

Ms Lahnstein, party leader since 1991, will now use the election result as a springboard to defeat Labour's pro-EC strategy. Ominously for the government, the party has suggested it may use its new-found strength to block ratification of membership even if a Yes vote is secured in a referendum. Anti-EC strength in the Storting is now sufficient to block the three-fourths majority required for ratification, regardless of a referendum's outcome.

In the face of the Centre party's advance, Labour did well to increase its Storting strength from 63 to 67 seats, winning support particularly from the anti-EC Socialist Left party through a combination of an ambivalent campaign stance on the EC and an improving economic outlook.

Its task now is to secure an EC accession agreement in negotiations with Brussels, which it could then sell to the electorate as a good deal on the key issues of oil, fish, agriculture and regional policy. With opinion polls showing 58 per cent of voters against membership, Labour leaders say they will not risk a referendum unless they win concessions from the EC.

Although most of the Labour leadership is committed to Norway joining the Community, they are determined not to commit political suicide over the issue. Mrs Brundtland has left no doubt that she would withdraw Norway's application if she did not win the negotiating result sought.

Indeed, Labour leaders talk of the "fallback" position for Oslo provided by the European Economic Area trade pact, which Oslo has approved and which should come into force by next year. It would give Norway many of the economic benefits of full membership, albeit without the influence to shape policy. But they believe it is still possible to change opinion, just as they transformed poll ratings as low as 25 per cent for Labour during the summer into an election victory.

"When we have a negotiating result, we will start the EC campaign," said Mr Jens Stoltenberg, Labour's deputy leader. "So far it has been a one-sided war. The No camp has had a walk-over up until now. "At least this election shows the Labour party is able to campaign and is able to change the minds of voters."

Poland's smaller parties on the block

By Anthony Robinson in Warsaw

ONLY four out of Poland's multiplicity of political parties are assured of gaining the 5 per cent of votes at Sunday's election needed to enter the next parliament. Three out of the four have their roots in the former communist party or the left wing of the Solidarity movement.

This is the main finding of the last pre-election public opinion poll based on a sample of 1,100 voters nation-wide.

A clutch of smaller parties, including the free-market Liberal Democratic Congress (KLD), the right wing nationalist Confederation for an Independent Poland (KPN), the Christian Democrats and President Walesa's non-party BBWR movement, are struggling to gain enough support to cross the 5 per cent barrier.

The poll, financed by the Polish government, shows that the four leading parties - the governing Democratic Union (UD), the former-communist Left Democratic Alliance (SLD), the former communist-linked Polish Peasants Party (PSL) and the Labour Union (UP) led by radical left wing members of the former Solidarity alliance, are likely to receive between 11 and 15 per cent of the vote each.

An incomplete private poll managed by former high-ranking Polish communists, gives the SLD a commanding lead with around 25 per cent of the vote.

Ceasefire agreed by Croat and Bosnian leaders

By Frances Williams in Geneva and Gillian Tett in London

THE presidents of Bosnia and Croatia yesterday agreed to an immediate halt to fighting between mainly Moslem government troops and Croat forces in central and south-west Bosnia.

Croatian President Franjo Tudjman said after talks in Geneva with Mr Alija Izetbegovic, the Bosnian leader, that they had signed a ceasefire accord.

He said the ceasefire would come into effect "immediately", although the agreement *calls for a halt to fighting by* noon on Saturday "at the latest".

Although previous ceasefires have usually been ignored by commanders on the ground, Mr Tudjman claimed the Bosnian Croat leader, Mr Mate Boban, who was not in Geneva yesterday, would respect the call.

Despite the accord it appeared yesterday there was still no agreement over when Bosnian peace talks might reconvene, although Mr Tudjman and Mr Izetbegovic have agreed to establish working parties to discuss points of contention between the two sides.

Earlier, the two leaders discussed with the international mediators, Lord Owen and Mr Thorvald Stoltenberg, the issue of access to the sea for the Moslem republic. This is a key obstacle to resumption of the peace talks, which broke up two weeks ago.

Meanwhile, in a sign that the mediators are seeking a compromise, Lord Owen told a separate meeting of the 29-nation steering committee of the international conference on the former Yugoslavia that Mr Izetbegovic's demand for land to develop a port near the fishing village of Neum was "second-best" to access to Ploce on Croatia's Dalmatian coast, which the Croats have already accepted.

In another indication of attempts to recapture the momentum, Nato military planners are due to present to a meeting of the North Atlantic Co-operation Council in Brussels today initial plans for the deployment of Nato peacekeepers in Bosnia.

In Croatia, UN officials were attempting yesterday to secure a ceasefire after rebel Serb forces shot down a Croat plane *which was on a bombing raid.*

Fighting in Krajina flared up last week after Croat forces launched an offensive against Serb positions in the area, threatening to rekindle the six-month war that was fought between Serbs and Croats in 1991.

Spending cuts urged on Finns

By Christopher Brown-Humes in Helsinki

FINLAND needs to make further spending cuts and create a more flexible labour market if it is to build on the export-led recovery which is starting to emerge, says the Organisation for Economic Co-Operation and Development in its latest report.

The OECD predicts flat economic growth this year, after a 10 per cent decline in real output in 1991 and 1992. In 1994 it forecasts a 2.1 per cent increase in gross domestic product following the strong revival in exports which has accompanied the depreciation of the markka.

The OECD says Finland's ability to reduce interest rates further is being constrained by a need to prevent a weakening of the markka to keep inflation under control. It says further spending cuts are "clearly needed" to curb a rising budget deficit.

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 5964481, Telex 416193. Represented by Edward Hugo, Managing Director. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL, UK. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL. The Company is incorporated under the laws of England and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Rolley, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297-0621, Fax (01) 4297-0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN: ISSN 1148-2753. Commission Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd, Vimmelskaftet 42A, DK-1161 CopenhagenK. Telephone 33 13 44 41, Fax 33 93 53 35.

Poland's smaller parties on the block

Spending cuts urged on Finns

Dresdner Bank chief warns EC

By Christopher Parkes in Frankfurt

PRO-EUROPEAN sentiment in Germany could be put at risk if the European Community persists in treating the integration of the former GDR as a purely German problem, according to Mr Jürgen Sarrazin, chairman of Dresdner Bank.

"Unfortunately, it is virtually taken for granted in Europe that the federal republic must deal with the economic integration of eastern Germany alone," Mr Sarrazin said in a rare meeting with the press.

"But there is an inconsistency here: why, for example, should southern Italy, parts of Greece and Portugal, and French agriculture be seen as European problems, while eastern Germany remains a purely German affair?" the bank chief asked.

Such questions had to be taken into account in the move towards European economic and monetary union, Mr Sarrazin told a Frankfurt journalists' club.

He was responding to past criticism that Germany maintained high interest rates to the detriment of its recession-hit partners.

They had been unable to lower rates because of the constraints of the European exchange rate mechanism in which the D-Mark played the role of anchor.

He acknowledged the link between unification and tensions in the European monetary system, which culminated in last month's widening of the fluctuation bands in the ERM. Redeveloping eastern Germany required additional capital which could only be attracted with high rates, Mr Sarrazin said.

The ERM adjustments were a compromise between the "impracticable" extremes of a French franc devaluation or German interest rate cut to relieve pressure on the French currency. In the end a solution was found "at the cost of the EMS".

The new arrangements, and the "disturbing" de facto revaluation of the D-Mark, reduced export opportunities for German goods and could also "cause a dangerous uncoupling of the D-Mark", Mr Sarrazin claimed.

Pro-European feelings among the German population and in all the relevant political parties should not be put lightly at risk in Brussels, for example, with proposals that the costs of unification should be wholly concentrated on Germany through a unilateral D-Mark float.

This was one of the suggestions put forward at the ERM crisis meeting which led to the mechanism's effective suspension in early August.

"It is not feasible on the one hand to seek to bind Germany firmly within Europe, and then leave it alone with its eastern problem," Mr Sarrazin maintained.

Kohl pins hope on man from east

Associated Press

Chancellor Kohl applauding Mr Steffen Heitmann yesterday

By Quentin Peel and Judy Dempsey in Berlin

GERMANY'S Christian Democratic Union yesterday closed ranks behind its virtually unknown candidate for the presidency, angrily rejecting criticism that he is a nonentity whose only qualification is that he is east German.

Mr Steffen Heitmann, the 49-year-old justice minister from the eastern state of Saxony, was given a rousing ovation at the end of the CDU party conference in Berlin, as delegates sought to counter the impression that they are only half-hearted about his candidacy for the highest office in the federal republic.

It was a demonstration of party solidarity in the face of opposition attacks, and of the obvious need to forge a stronger union between east and west, urged on by Chancellor Helmut Kohl and Mr Wolfgang Schauble, his heir apparent and party leader in the German parliament.

The unresolved strains of unification, and the need to forge a greater sense of national identity and patriotism to overcome them, were the underlying themes of the conference, as the CDU struggles to counter political apathy - above all in east Germany - before an election marathon next year.

Membership of all the main political parties is languishing in the eastern states, and both the CDU and the opposition Social Democratic party (SPD) have problems in providing a full slate of candidates in some areas.

According to the latest opinion poll, CDU support is only 28 per cent in the five states which constituted the former German Democratic Republic, in all of which there are elections scheduled in 1994.

Mr Heitmann's candidacy for the presidency is seen as part of Mr Kohl's attempt to win back some eastern support, although he is barely known in the east, let alone in the west of the country. He was a Lutheran lay preacher before unification, and his greatest asset, in the eyes of CDU party leaders, is that he had a blameless reputation during the communist years - unlike many other eastern politicians.

Yesterday he was persuaded to speak fleetingly to the conference - not enough to demonstrate his political inexperience, but long enough to win sympathy and support from the floor. He spoke emotionally about the "wonderful experience" of German unification, and said: "The walls in our heads and in our hearts will not grow higher, if we simply want it."

His nomination by the CDU and its sister party, the Bavaria-based Christian Social Union, is not yet assured. Mr Theo Waigel, leader of the CSU, showed his sympathy, but insisted that he still wanted to get to know him better.

The SPD on Monday formally nominated Mr Johannes Rau, the state premier of North Rhine-Westphalia, as its presidential candidate, which means that the election will almost certainly split on party political lines. The new president must be chosen next May by an electoral college, to succeed Mr Richard von Weizsäcker, who has completed the maximum two terms in office.

● Deutsche Telekom and Siemens have signed a contract with the Moscow Telephone Company (MGTS) to operate a digital network for mobile phones in the Russian capital, writes Ariane Genillard in Bonn. DT mobile, a subsidiary of Deutsche Telekom, will participate in a joint venture with MGTS, the public phone operator, InterEWM, a technical institute, and Siemens.

Italian to chair key body in banking

By Andrew Jack

MR TOMMASO Padoa Schioppa, deputy director general of the Bank of Italy, has been appointed chairman of the Basle committee on banking supervision.

Mr Schioppa replaces Mr Gerald Corrigan, who stepped down after leaving his post as president of the Federal Reserve Bank of New York.

The announcement was made late on Monday night by the Bank for International Settlements at Basle, where central bankers from the G10 countries were meeting.

Mr Schioppa, the third most senior official at the Bank of Italy, has been deputy governor since 1984 and spent time at the European Commission in Brussels dealing with monetary affairs.

He had been considered as a possible contender for the post of governor, but the job was given to Mr Antonio Fazio in May.

Also at the G10 meeting yesterday, the Basle committee said a recent review confirmed that by the end of 1992 all internationally-active G10 banks had capital ratios exceeding 8 per cent, as defined by the Basle capital accord

The committee, which conducted the review of the effects of the accord agreed in 1988, said this showed that the banks had met the minimum capital requirement laid down in the agreement.

Average ratios for each national category of bank ranged between 8.8 per cent and 11 per cent.

Moscow to finance deficit with gold sales

By Leyla Boulton in Moscow

THE Russian government plans to sell Rbs1,000bn (£600m) worth of gold to Russian commercial banks as part of the Finance Ministry's battle to bring the gaping budget deficit under control, Mr Sergei Alexashenko, deputy finance minister, said yesterday.

Mr Alexashenko, who is responsible for budget policy, said in an interview that the government was arranging to sell to banks certificates – at prices based on the international gold futures market – guaranteeing to deliver up to 100m tonnes of gold in a year's time.

He also said that Mr Boris Fyodorov, the finance minister, had threatened to resign unless the government implements emergency tax increases as part of a strategy to save Russia from Ukrainian-style hyper-inflation resulting from the unlimited use of printing presses to finance the budget deficit.

The budget is at the centre of the conflict between President Boris Yeltsin and the parliament.

The parliament wants to increase the government's deficit by far more than that foreseen by the Yeltsin-backed budget it has rejected.

Because of conservative ministers' support for parliament's free-spending instincts, the budget has also become a crucial test of Mr Yeltsin's own commitment to financial stabilisation policies he himself launched and which are a condition for further IMF assistance.

Crowning the Finance Ministry's strategy is a plan to introduce a uniform tax system from next January, applicable to all of Russia's 89 republics and regions.

The aim is to do away with the present system, which is threatening Russia with disintegration, of individual bargaining for each region and republic on how much tax revenue they can keep for themselves.

Russia may lose credit for banking revolution

By Leyla Boulton

THE stern red granite former German embassy in St Petersburg this week opened its doors to the public as home to the first foreign bank in Russia since the Bolshevik revolution.

But when Dresdner Bank and Banque Nationale de Paris held an official opening of their joint subsidiary with champagne – and talk by the mayor of an historic occasion – there was little cause for celebration. Despite security provided by an ex-KGB officer against gangsters, the bank is under threat from other quarters.

On Friday, the Russian parliament will decide whether to ban foreign-owned banks from taking deposits from Russian customers. Such customers would include joint ventures with foreign companies that account for most of the foreign investment in Russia so far.

Parliament's proposed ban, which would come into effect next January and last until 1996, is the fruit of lobbying by some of the increasingly powerful Russian commercial banks which say they are not ready for foreign competition.

Their main fear is that they will lose their prized hard currency deposits to western banks which, by virtue of being well established and foreign, may inspire more trust among Russian customers.

The government, central bank, and even parliament's own sub-committee for banking are mobilising efforts to get deputies to change their minds in behind-the-scenes lobbying this week. On Monday, the central bank issued licences to two more foreign banks, Crédit Suisse and the Netherlands' ING Bank, as part of its efforts to present parliament with a *fait accompli*. Full banking licences have already been given to France's Crédit Lyonnais and Société Générale, as

'If the law restricts our activities, we will comply with it in the hope it will be modified in a short time. I hope political wisdom will prevail'

as Bank of China. "Competition would be good for our banks. They would learn how to work better," explained Mr Nikolai Medvedev, chairman of the banking sub-committee.

But there is no guarantee that these efforts, together with private warnings by German authorities that loans to Russia might be reviewed in retaliation, will succeed.

Asked why they had pressed ahead despite the risks, Mr Jacques Henri Wahl, BNP's chief operating officer, said the two western banks, which enjoy a global alliance, wanted to be in a position to take advantage of opportunities which would arise when the economy got going again.

"If the law restricts our activities, we will comply with it in the hope it will be modified in a relatively short time," he said. "I just hope that political wisdom will prevail." Privately, western bankers say they want to get a foot in the door while it is still open. In a more moderate plan to protect its fledgling banks, the central bank has already said it plans to limit the share of foreign banks to 12 per cent of banking capital in Russia.

But the consequences of the ban envisaged by parliament would harm not just the banks, but would further dent western business confidence.

It would also deprive the authorities, which lack supervisory skills and credibility, of a badly needed tool for improving the performance of their own banks and for encouraging foreign investment.

Rather than compete for rouble customers and lending opportunities, the most successful and independent Russian banks hold hard currency on short-term deposit, channel it in and out of the country for trading operations, and play the foreign exchange market. BNP-Dresdner Bank (Rossija) itself does not initially plan to take rouble deposits or do very much in the way of project lending. Banks as a whole are unlikely to switch to productive lending on any significant scale unless the economy is stabilised.

The banking sector itself is badly in need of restructuring, a process which will be speeded up only if there is financial discipline for the economy at large. Russia has nearly 2,000 banks, with about 100 accounting for two-thirds of the banking system.

Roger Matthews on how the PLO leader must balance himself between Israel's demands and his constituents' expectations

Arafat put to the test over declaration, says Rabin

THE SOMBRE note struck on Monday evening by Mr Yitzhak Rabin, Israel's prime minister, following the signing of the declaration of principles with the Palestine Liberation Organisation, underlines just how much negotiating work has to be done before either side can feel confident about the intentions of the other.

While acknowledging the commitments made by Mr Yassir Arafat, the PLO chairman, in agreeing the document, Mr Rabin said he would believe that a real breakthrough had been made only if the PLO fulfilled its pledges. "We have decided to take a chance, to put him to the test," said Mr Rabin.

Much of Mr Rabin's caution inevitably stems from the long and bloody history of Israel-PLO relations. But the publication of the declaration of principles signed at the White House also reveals the extent to which Mr Arafat appears to have compromised on the declared aims of the Palestinian negotiating team during the previous rounds of talks in Washington.

Whether those compromises are primarily a tactical shift by Mr Arafat to win Israeli recognition for the PLO and reassert his weakening hold on the organisation, or represent a more fundamental reappraisal of what the Palestinians can realistically hope to achieve, should slowly emerge as the negotiators seek to put flesh on the broad principles that have been agreed.

The two critical areas will be security, which is likely to be Mr Rabin's personal touchstone in judging the performance of the PLO, and on the extent to which the Palestinians will accept far more limited powers for the interim self-governing authority than they had previously demanded.

Mr Arafat has accepted that the Palestinian Interim Self-Governing Authority, which will administer "West Bank and Gaza strip territory" for a five-year period, will not touch on such issues as the status of Jerusalem, Jewish settlements, refugees, security arrangements and relations with neighbouring countries. Instead it will administer areas such as education, health, welfare and tourism, while also building up a local police force, a role previously rejected by the Palestinian negotiating team as being akin to acting as the administrators for the *occupation force*.

They had said repeatedly that such a deal would not be acceptable to the majority of Palestinians in the West Bank and Gaza. Instead they demanded an elected authority with important legislative functions, which would also have some competence on highly contentious issues such as the ownership of land and the utilisation of water resources.

The ambition of the Palestinian team at the earlier rounds of Washington talks had clearly been to acquire as many of the attributes of a future independent state as possible, while Israel was equally determined to resist making such concessions.

If, as seems possible, Mr Arafat has in large part abandoned that aim, the negotiations over the powers assigned to the interim self-governing authority could proceed relatively smoothly.

But if the PLO leader finds it increasingly difficult to build and sustain a Palestinian consensus once the initial euphoria of international recognition subsides, then the issues which blocked progress at the Washington negotiations could quickly resurface.

The challenge of reconciliation among the Palestinians in the occupied territories will bear even more heavily on the issue of security. Within three months Israel and the PLO are due to have concluded an agreement providing for the redeployment of Israel military forces from the Gaza Strip and Jericho area and the phased introduction of a Palestinian police force.

Until very recently, Mr Rabin's premiership had been notable primarily for its vigorous response to security issues. The ejection of over 400 Palestinians from the occupied territories last December, the subsequent travel ban on Palestinians from the West Bank and Gaza into Israel, and the week-long bombardment of Lebanon all confirmed that for Mr Rabin the safety of Israelis came before building confidence that might promote peace.

While Mr Rabin might now fairly reflect that his toughness paid off, it would be unwise of Mr Arafat to assume that the Washington agreement will soften the Israeli response to further outbreaks of Palestinian violence.

In addition, the declaration of principles commits the the new Palestinian police force to co-operate with Israeli security forces in combating Hamas and other radical Islamic groups in the territories which remain committed to the armed struggle.

And even after the redeployment of the Israeli army, Mr Arafat has agreed that Israelis, military and civilian, may continue to use roads freely within the Gaza Strip and Jericho.

All this leaves the PLO leader with a huge, and probably contradictory, list of requirements to fulfil. Balancing himself between the demands of Mr Rabin and the expectations of his constituents could well prove the greatest test yet for Mr Arafat's formidable powers of survival.

End to isolation beckons as taboo ends on ties with Israel

Julian Ozanne on the economic dividends of a likely 'domino effect' of recognition

A "DOMINO EFFECT" of Arab and Islamic states announcing recognition of Israel was predicted yesterday by Israeli officials after Mr Yitzhak Rabin, Israel's prime minister, paid a surprise visit to Morocco.

Israelis said an expected tumbling of the diplomatic and trade wall which has surrounded the Jewish state since its creation in 1948 could fuel a boom in trade, investment and tourism. This could help to consolidate Israeli public support for the peace agreements reached this week with Palestinians and with Jordan.

"There's no doubt that this is an opening of the door for many other countries," said Mr Shimon Shetreet, economics minister, who said steps towards diplomatic relations with Morocco would be a "formalisation of existing relations" in tourism, economic co-operation and trade.

Mr Avi Beker, director of the Israel Council on Foreign relations, said: "There is a domino effect. It is no longer a taboo to talk with Israel and have relations and the major psychological barriers have now been demolished."

Experts say that recognition by Morocco would lead quickly to ties with moderate countries among the 50 Islamic and Arab countries that currently boycott Israel.

Zimbabwe's announcement that it was considering recognition of Israel yesterday is also expected to have a knock-on effect on developing countries and members of the non-aligned movement.

Early candidates for recognition include Tunisia, Indonesia, Malaysia, Kuwait, Oman and Saudi Arabia. In remarks published in yesterday's respected Hebrew daily Ha'aretz, Mr Mahathir Mohamed, Malaysian prime minister, said: "As the Israelis have changed their position we should consider the possibility of establishing diplomatic relations with them, especially after the Palestinians recognised Israel."

Mr Youssef bin Alawi bin Abdullah, Omani foreign minister, began a tour of Arab states yesterday to discuss "new realities".

"This can change the whole reality of Israel within the Middle East," said Mr Beker. "Before Israel was completely isolated and surrounded by enemies who were against its existence and looked for allies on the periphery like Turkey and Ethiopia. Now Israel is moving towards its geographic place with its neighbours like Jordan and Egypt which is quite revolutionary."

Israelis are split about the economic impact of the expected change in their status. Mr Shimon Peres, foreign minister, has spoken optimistically about a Middle Eastern common market, regional integration projects and joint ventures. A study carried out by the Tel Aviv University economic department has predicted that Israel could boost its exports by $2.2bn, a 22 per cent increase, to five Arab countries when trade barriers come down.

In a sign of the link between diplomatic and trade relations, an economic delegation including Mr Jacob Frenkel, Israel's central bank governor, and Mr Amiram Sivan, head of bank Hapoalim, is expected in Morocco soon to sign economic and aviation agreements and to discuss the possibility of a joint bank with the kingdom. The optimists will be buoyed by statements made by international fund managers about investing in Israel.

However, other Israelis are less optimistic about the economic dividends, pointing to the fact that 14 years of "cold peace" with Egypt has not yielded significant benefits.

"I think Israel will face major opportunities in economic co-operation but mainly in terms of export markets and import of natural resources but nothing as far reaching as a Middle East common market as envisioned by the optimists," said Mr Beker.

Israel still faces an uphill struggle in striking a peace with its other two neighbours – Syria and Lebanon. Furthermore Israel will continue to face hostility from Arab and Islamic states such as Iran, Iraq and Libya which continue to influence developments and could pose a military threat to the Jewish state either directly or through proxy forces.

Pro-Iranian Hizbollah women chant slogans against Lebanese leaders and protest against the PLO-Israel pact during the funeral in Beirut of eight protesters killed by troops at a rally opposing the peace accord. Meanwhile Iranian President Ali Akbar Rafsanjani pledged in Tehran that the forces of Islam would not rest until "every last piece" of Palestine had been liberated, writes Parichehre Mosteshar. He condemned those who signed "the greatest act of betrayal of the Palestinian people".

Paving a path to lasting peace

Francis Ghilès on King Hassan's vision for the Middle East

THE meeting in Rabat yesterday between King Hassan of Morocco and Mr Yitzhak Rabin, Israel's prime minister, was less surprising than it might seem. In July 1986, when most of the Arab world would not acknowledge Israel's right to exist, King Hassan received Mr Shimon Peres, then Israeli premier, whom he had met more discreetly on a number of occasions.

And before that, Israeli officials slipped into Morocco repeatedly to prepare for Egyptian President Anwar Sadat's ice-breaking visit to Jerusalem in 1977.

The protection given Jewish subjects runs deep in the country's history and King Hassan has more than once reminded his Arab peers that no law forbids a man to talk to his enemies.

Thousands of Israelis of Moroccan origin return each year to take part in religious festivals and help keep alive the country's once-thriving Jewish community. It is not unusual to find MPs from Israel's right-wing Likud party, born in the Atlas mountains, staying in hotels in Marrakesh and Casablanca.

King Hassan also enjoys good relations with most of the leaders in the Middle East, including Mr Yassir Arafat, PLO chairman, who travelled to Washington at the weekend on a Moroccan aircraft.

Over the past decade the monarch has successfully steered his country towards economic reform and has sought to tie it more closely to Europe. When the king applied for Moroccan membership of the European Community in 1987 his request prompted incredulity and scorn.

Last winter, however, the EC agreed to a Moroccan request to negotiate later this year what promises to be one of the closest partnership treaties covering free trade and political co-operation between the Community and a non-EC country.

The king has long argued that talks between the PLO and Israel are crucial to lasting peace in the Middle East. If the peace drive gains momentum and Morocco's negotiations with the EC bear fruit, King Hassan will have provided a bridge between east and west.

Knesset vote hangs on judgment of Rabbi Yosef

Julian Ozanne on the battle shaping in parliament over the peace deal

THE FATE of Israel's historic peace agreement with Palestinians could rest on the decisions of a shadowy 73-year-old ultra-orthodox rabbi who has emerged as a powerbroker during the last five years.

Mr Yitzhak Rabin, prime minister, was due back home last night to face a considerable challenge in mustering the parliamentary votes he considers necessary to pass the peace accord. He could be forced into calling a national referendum.

Rabbi Ovadia Yosef, the country's leading ultra-orthodox oriental clergyman, is unelected but he controls the Shas party which has six critical parliamentary seats. Last week it quit the Labour-led coalition over charges of corruption levelled against its leaders.

How Shas votes in next week's Knesset debate on the peace agreement will decide whether Mr Rabin is forced into holding a referendum. The Baghdad-born rabbi has been keeping his cards close to his chest, saying he will decide how Shas will vote only after the Jewish New Year, which ends on Sunday. But Mr Arye Deri, the parliamentary leader of Shas and former interior minister, said yesterday he had recommended the rabbi should "demand and insist" on a referendum to be held together with local elections due in early November.

Mr Deri also said he had instructed the interior ministry, before he formally left the building yesterday, to prepare the "infrastructure, law proposals and all the technical means for holding a referendum".

Although the prime minister has a 61-59 majority for the peace agreement in the Knesset he has consistently said he would not allow a peace agreement to be passed if it depended for passage on the five Arab parliamentarians.

"If we will have 61 votes for the agreement and 59 against we will go to a referendum," Mr Eli Dayan, head of Labour's parliamentary faction, said yesterday. "But if Shas and others abstain we will have to reconsider what to do." Mr Ran Cohen, an MP of the left-wing Meretz bloc which is a part of the coalition, said his party would fight a referendum.

Labour party officials said Mr Rabin would mount a lobbying campaign to convince Rabbi Yosef to support the agreement or, at the very least, instruct Shas to abstain in next Wednesday's vote. Mr Rabin is also hoping to win support from the three Knesset members of Agudat Yisrael, a faction within the orthodox United Judaism Torah Party.

At least one right-wing dissident – Mr Ronni Milo, a senior MP of the opposition Likud party who is running for mayor of Tel Aviv – may also abstain or vote for the agreement. If Mr Rabin could win all nine floating Knesset votes he would have a 70-50 majority and would not be forced to call a referendum.

Much will depend on how Rabbi Yosef, who rarely gives interviews, interprets Jewish law. In 1989 the cleric returned from a visit to Egypt and issued a "halachic" rabbinical ruling declaring that giving up part of the biblical land of Israel was less important than the greater religious obligation of saving human life.

A year later he brought down a national unity government led by Likud after it rejected talks with Palestinians. "This might have led us, heaven forbid, to war," he said at the time.

Agudat Yisrael is also considering its position in the light of rabbinical teaching and is likely to be influenced by Rabbi Yosef's decision.

Mr Deri has said the prime minister has so far failed to convince Rabbi Yosef that his ruling of "giving away territories to save lives applies to the present agreement. There is a great danger to the lives of the settlers. There are great pressures on Rabbi Yosef to vote against the agreement. We have no obligation to vote for it – we are completely free."

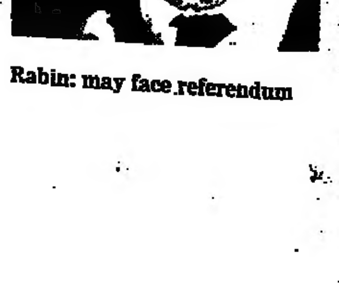
Clouding the issue is whether Shas will remain in coalition. Mr Deri has alleged that charges prepared against him of fraud, breach of public trust and misallocation of government funds to Shas-supported religious schools and institutions are part of a wider campaign of discrimination against Sephardic or oriental Jews originating from North Africa, Spain and the Middle East by the larger and more dominant Ashkenazi or European Jews. Shas is wary of quitting the government for fear of losing the power to deliver funds and benefits to its supporters.

If Mr Rabin is forced to call a referendum, political experts say he stands a good chance of gaining majority public support for the peace agreement. Latest public opinion polls show a 65 per cent majority among Israeli Jews for the agreement. A referendum would also include the votes of 800,000 Israeli Arabs who would support the accord.

However, polls have shown that among those Jews who support the agreement a large percentage have security fears and could be influenced by a right-wing campaign for a No vote.

KNESSET PARTIES

	Seats
Left/centre	
Labour	44
Meretz	12
Arab Democratic	2
Hadash	3
Religious	
Shas	6
United Tora Judaism	4
National Religious	6
Right	
Likud	32
Tsomet	8
Moledet	3
Total	120



Rabin: may face referendum

Dismay over US stance on Hanoi

By Victor Mallet in Hanoi

THE Vietnamese government and US companies expressed disappointment yesterday at President Bill Clinton's decision to maintain US sanctions against Hanoi.

The White House announced late on Monday a softening of the embargo, ruling that US companies could participate in projects funded by international organisations such as the World Bank but would not be permitted to conduct other business. The US administration deemed Hanoi's efforts to solve cases of American servicemen missing in the Vietnam war insufficient.

US executives in Hanoi are more frustrated by the decision than the Vietnamese, who are already struggling to absorb more than $6bn (£3.8bn) of promised investment from Japanese, Taiwanese, Korean, French, British and Australian companies.

The Vietnamese Foreign Ministry described Mr Clinton's decision as regrettable, but added: "The US embargo does not hinder the economic renewal of Vietnam and the ever-broadening relations in all fields between Vietnam and other countries.

"It merely ties the hands of the American business community and deprives them of the opportunity to compete on an equal footing in Vietnam."

The Vietnamese do, however, want closer ties with the US in the long run to counterbalance the regional influence of China and Japan and to ensure Vietnam has access to US markets, technology and investment capital. None of these is regarded as critical at this stage of Vietnam's economic development – annual gross national product is not much more than $200 per head – but the communist government is eager to hold open projects for future US involvement. Officials, for example, have made no secret of their desire to have Mobil take part in the development of offshore oilfields.

US executives in Hanoi, while hoping Mr Clinton will fully lift the embargo before the end of the year, say the Vietnamese cannot be expected to keep the door open for US companies much longer.

"We're sanctioning ourselves," said Mr Greig Craft, who heads American Service Co, a consultancy with an office in Hanoi. "I would have said 12 months ago that the return of the US was critical to the successful renovation of the Vietnamese economy. Now I don't think that's the case. Vietnam has done a brilliant job of lobbying the rest of the world."

The decision to allow US companies to bid for internationally-funded projects may seem a reasonable compromise in Washington, US companies say, but it has no immediate benefit.

It was only in July that Mr Clinton ended US opposition to multilateral assistance for Vietnam, and the World Bank and the Asian Development Bank are still preparing projects in which US companies will be allowed to participate. A donors' conference is to be held in Paris in November.

US companies poised to do business in Vietnam are also irritated because many of the products and services they are forbidden to sell are widely available in spite of the embargo.

Coca-Cola has signed two contracts worth $44m to produce soft drinks, but is forbidden to execute them until the embargo is lifted.

Boeing may not sell aircraft, but a leased Boeing 737 from Switzerland is used by Vietnam Airlines. Pirated US computer software is also widely available.

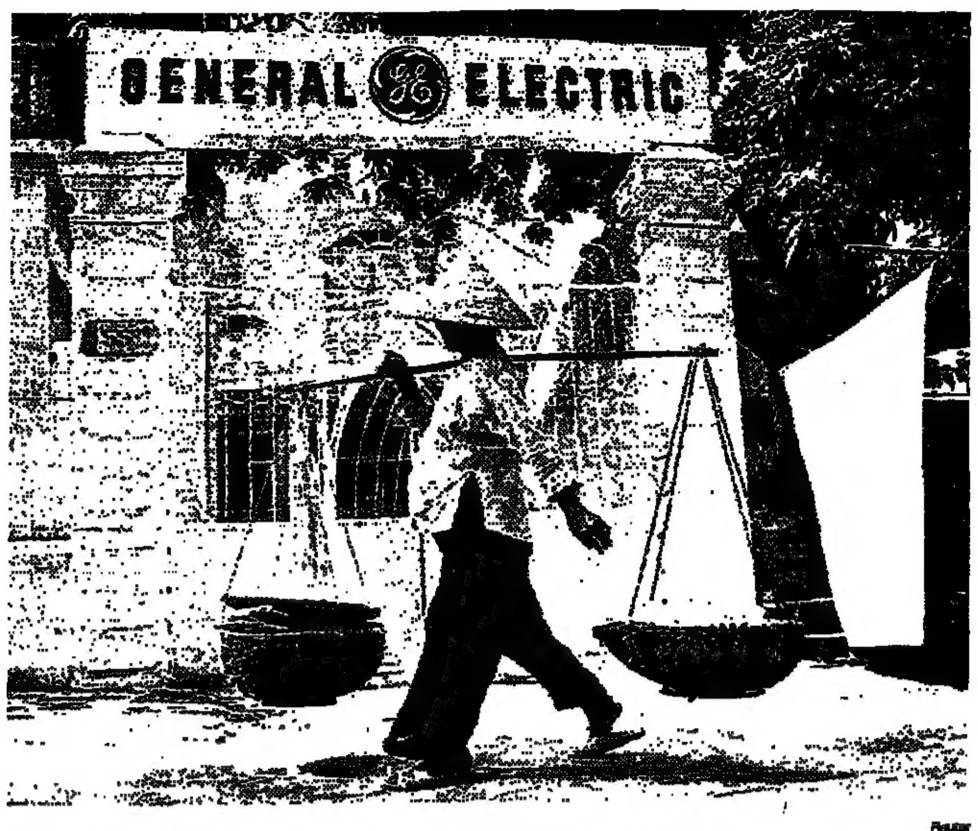
MITSUBISHI Motors and Mitsubishi Corporation, the trading house which is part of the same industrial group, are setting up a joint venture in Vietnam to manufacture vehicles, writes Michiyo Nakamoto in Tokyo.

The Japanese companies have agreed to link up with Vietranscimex, a Vietnamese national shipping and trading company, and Proton, the Malaysian national car company, to assemble and sell vehicles in Vietnam.

The four companies, which will each hold a 25 per cent stake in the new company, plan to begin assembling minibuses from mid-1994, on receiving Hanoi's approval. The minibus will be modelled on Mitsubishi Motors' Delica.

Mitsubishi will be the second Japanese car company to invest in making cars in Vietnam. Vietnam Motors, which is 70 per cent owned by foreign shareholders including Nissan Diesel and Nichimen, the Japanese trading house, already makes trucks and cars.

Car ownership in Vietnam was an estimated 210,000 in 1991, Mitsubishi says. But the companies expectthe market could expand to 300,000 vehicles by 1995 and 430,000 by the year 2000.



Reuter

OPEN FOR BUSINESS: A Vietnamese vendor walks past General Electric's office in Hanoi, the day after President Clinton eased sanctions to allow US groups to join development projects there

Chinese 'smash records' on dog stew and turtle

By Paul Abrahams

BEIJING'S credibility as the host city for the Olympic Games in the year 2000 seemed undermined yesterday as much of the world athletics community cast doubt on the validity of a series of astonishing results by female Chinese athletes.

Said one senior British athletic official: "The Chinese may think this sort of result supports their claim to host the games. But the scale of the improvement is so good it arouses suspicions they are not observing the Olympic ethos."

Long-distance athletes have broken world records for 1,500m, 3,000m and 10,000m at the Chinese national games in the last week. The 10,000m record was slashed by 42 seconds.

The results, achieved in front of 12 visiting members of the International Olympic Committee, came after Chinese women made a clean sweep of the medals last month at the world championships in Stuttgart.

The committee makes its decision on September 23.

Mr Alan Storey, general manager of the NutraSweet London Marathon, who coached in China during the 1980s, said: "The Chinese must have been pleased by Stuttgart, but the recent world records detract from the bid because nobody believes they were achieved legally."

No evidence existed that the records were drug-assisted.

Ma Junren, the athletes' trainer, dismisses accusations the results were helped by banned substances. He claims that high-altitude training and a special diet help the athletes prepare.

Some are running 170 miles a week, equal to more than seven marathons in seven days. The diet includes caterpillar fungus tonic, dog stew, chicken soup, a paste made from berries, and soft-shell turtle. He also bases the women's running action on those of ostriches and deer.

Dr Peter Radford, professor of sports medicine at the University of Glasgow, and chairman of the British Athletic Association, said: "None of us know anything about the athletes, their histories or their training. And I don't have the foggiest about the diet".

Associated Press

CHINA yesterday freed Wei Jingsheng (above), one of its longest serving political prisoners. His release, six months early, came ahead of a vote on Beijing's bid to host the 2000 Olympic Games.

Investors rush to pour money into China

By Frances Williams in Geneva

THE LURE of China's large and fast-expanding domestic market has made it the biggest recipient of overseas investment among developing nations, according to figures published by the United Nations Conference on Trade and Development yesterday.

It has also turned China into one of the leading recipients of foreign investment worldwide. In the first six months of 1993, foreign direct investment in China totalled $9.4bn (£6.1bn), a 180 per cent rise on the same period in 1992.

Investment last year rose by 40 per cent to $11bn, but the number of approved foreign investment projects almost trebled to 49,000; and the planned investment of more than $58bn was nearly four times higher than in 1991.

The figures, given to an Unctad-sponsored conference in Beijing by Ms Wu Yi, China's foreign trade minister, show that by mid-1993 some 135,000 Chinese enterprises had overseas participation, with projected foreign investment of nearly $170bn and actual investment of some $44bn. Enterprises with foreign participation produced about 6 per cent of China's total industrial output in 1992.

More than 100 countries and territories are now investing in China, the most important being Hong Kong, Taiwan, the US, nited States, Japan, Singapore, Germany, Britain, Thailand, France and Canada.

Ms Wu said the government was encouraging foreign direct investment outside the coastal economic zones and noted that a fifth of such investment last year was in inland provinces.

Foreign capital was now going into enterprises in the service sector, in areas such as finance, property, insurance, retailing and consultancy.

The Beijing conference, attended by representatives of about 40 multinational companies, urged the Chinese government to improve conditions for foreign investment.

Among the recommendations were further liberalisation of the service sector, easier labour mobility for Chinese employees, reduced bureaucracy, increased access to foreign exchange and more effective protection for intellectual property.

Japanese price probe into cosmetics maker

By Emiko Terazono in Tokyo

JAPAN'S Fair Trade Commission has launched an investigation into alleged price-fixing by subsidiaries of Shiseido, a leading cosmetics maker.

The anti-monopoly watchdog has been increasing the number of probes under the new administration of Mr Morihiro Hosokawa, who has been calling for an increase in consumer benefits. The commission's move is expected to accelerate the unravelling of Japan's rigid retail and distribution systems, which have helped maintain high retail prices.

FTC investigators raided distribution subsidiaries of Shiseido yesterday, following claims by Kawachiya, a Tokyo-based discount retailer, that the company had refused to sell it cosmetics.

Japan's leading cosmetics makers have maintained a tight grip on retail pricing through affiliated wholesalers and retail networks. Although resale price maintenance on cosmetics products was reduced to 24 items last year, retailers continue to sell products at the manufacturers' suggested prices due to the fear of shipment cancellations.

The investigation could affect prices of imported cosmetics, which have also been sold at higher prices because of the overall price level of Japan's cosmetics market. The sharp appreciation of the yen is increasing pressure for import brands to be sold at lower prices.

The prolonged downturn in the economy has forced a growing number of Japanese consumers to turn to discount retailers. Manufacturers, on the other hand, are growing increasingly wary that excessive discounting could damage their products' image and change consumer perceptions about "acceptable" retail prices.

Shiseido denies trying to prevent Kawachiya from selling its products at a discount price, and alleges the retailer was wholesaling cosmetics rather than selling to retail customers.

The FTC is expected to make similar investigations at Kanebo and Kao, cosmetics makers which Kawachiya also claims had cut shipments.

Nigerian petroleum boards are dissolved

By Paul Adams in Lagos

THE BOARDS of the Nigerian National Petroleum Corporation (NNPC) and its four refining and distribution subsidiaries have been dissolved, removing the majority non-executive directors, the political appointees of ex-President Ibrahim Babangida.

The decision is a sign that Nigeria's interim government, in its third week in office, intends to be more than a caretaker until next March and is trying to tackle some of the economy's most pressing problems.

"This is the beginning of new developments under the interim government," an oil ministry official said. "The direction is to more efficiency, especially in getting petroleum products to the people."

The interim government of Mr Ernest Shonekan has inherited an oil-producing industry unable to meet its cash commitments to foreign partners and a refining and distribution sector unable to supply enough fuel to the population.

Nigeria has the largest oil reserves in Africa, the source of 90 per cent of its foreign earnings, and the biggest refining capacity in its region. Yet, since the aborted introduction this year of a new grade of petrol at 10 times the previous heavily subsidised cost, and a national oil workers' strike which paralysed the south of Nigeria until a week ago, long petrol queues have become common in Lagos.

The marketing subsidiary PPMC sells petrol at about 2 US cents a litre, an estimated loss of revenue of $23.45 a barrel, or enough to cover last year's budget deficit. The refinery subsidiaries operated at around half their 400,000 barrels-a-day capacity. Smuggling to other African countries is estimated at more than 10,000 b/d.

NNPC is about three months in arrears on cash calls for production and exploration, owing its joint venture partners about $450m (£292.2m), according to local estimates. In July NNPC sold a 5 per cent stake in its largest oil field, which produces about half the national output of 1.8m b/d, to Elf Aquitaine for around $500m to replace missing funds for a proposed liquefied natural gas project industry analysts doubt will ever take off.

NZ sees steady growth in economy

By Terry Hall in Wellington

THE NEW Zealand Reserve Bank expects "steady, sustainable non-inflationary growth" of more than 2.5 per cent over the next two years, it said yesterday.

Its six-monthly economic forecast was issued shortly before Mr Jim Bolger, the prime minister, called a general election for November 6.

An opinion poll last night showed the National Party government with an eight point lead in popularity over the opposition Labour party. Mr Bolger said the Reserve Bank's report was proof the economy was in good health.

In New Zealand, the bank's six monthly statements are considered as important as the budget, given its independence from political interference in setting monetary policy with the goal of low inflation.

The statement was welcomed in the financial markets with sharp falls in interest rates and a further rise in the value of the New Zealand dollar.

Mr Grant Spencer, the bank's chief economist, said it would remain wary about inflation "which always has upside potential when an economy is in recovery mode."

Gross domestic product is expected to grow 2.6 per cent in the year to next March, and 3 per cent in the 12 months to March 1995. Underlying inflation is projected to fall from 1.6 per cent in the year to June 1993 to 1.1 per cent in the year to March 1994.

Business investment is expected to grow strongly, especially on plant and machinery. Unemployment was expected to fall slowly. A recovery was being made more difficult by large numbers of New Zealanders returning home from overseas.

Namibia steps boldy along the path to full statehood

Philip Gawith focuses on how a new currency could help cement the country's political independence

THREE and a half years after achieving its independence, Namibia yesterday took a further step towards full statehood with the launch of its own national currency, the Namibian dollar.

Although the move is mainly of symbolic importance – the South African rand will for now remain legal tender in Namibia, with the currencies being used in parallel at equal value – banks were yesterday expecting a clamour for the new notes when they become available today.

At yesterday's launch ceremony at the Tintenpalast government buildings in Windhoek, President Sam Nujoma insisted that the new currency would ensure "that Namibia is not only politically independent, but financially as well."

For some months the Bank of Namibia, the central bank, has been running a publicity campaign with the slogan "The Namibia dollar. Our money. Our pride." About $200m of notes will be issued in the first few days. The notes depict a famous fighter for independence, Captain Hendrik Witbooi, on the front.

The launch of the dollar follows another important event this month – an accord in principle with the Pretoria that the port of Walvis Bay would be handed over to Namibia next February.

In spite of a recession, business is generally happy with the way things have gone since independence. Mr Abel Gower, executive director of CDM, the De Beers diamonds subsidiary, comments that life for the company is "certainly no more difficult than it was in the past." He adds: "If Namibia is to be a model for South Africa, it is very encouraging."

Other businessmen agree that South Africans would be "deliriously happy" if, three years into a democratic government, they have had a similarly benign experience. Certainly, it is difficult to find the a Windhoek businessmen who thinks his investment would be safer, or his lifestyle better, in South Africa.

However, unemployment is high, probably over 30 per cent, crime has risen and there are concerns about inefficiency and corruption in government. When a top agriculture official was alleged to have appropriated funds to help develop a private farm, he was dismissed, but no attempt was made to prosecute him or recover any money.

But as Mr Gower notes, the problems of Namibia "are very different from problems in Africa which have mostly arisen from the pursuit of misguided economic policies." The government is operating within a market economy, and the scientific socialism and nationalisation contained in earlier rhetoric of the governing Swapo party of is a distant memory.

Instead, the worries are that the government simply lacks expertise necessary to run an economy even of its modest proportions – with a population of 1.4m, gross domestic product is R7bn (£1.36bn), about 40 per cent of the size of Zimbabwe's economy and two-thirds that of Botswana.

Mr John Kirkpatrick, chairman of Rossing Uranium and former central bank board member, says: "There is gross inefficiency in government. There are a few well-run ministries, but most are disasters."

A more worrying long-term trend is the deterioration in government finances. In 1990-91, the first post-independence financial year, Namibia enjoyed a budget surplus of 1.6 per cent of GDP. The following two years saw deficits of 2.4 per cent and 8.3 per cent and Mr Gert Hanekom, finance minister, concedes that the 1993-94 deficit will be "a little over 5 per cent" compared with a budget estimate in May of 4.5 per cent of GDP.

Mr Hanekom has had a difficult task. His tenure has coincided with a commodity price downturn, crimping tax contributions from the two main producers, Rossing and CDM, while South Africa, Namibia's main trading partner, has been deeply mired in recession. Also, the new government has been under pressure to address the apartheid legacy, especially in social services.

Mr Hanekom says he shares the concern about the deficit, but believes "we're on the verge of reversing this trend." He says initial projections for the 1994-95 and 1995-96 financial years show the deficit at below 5 per cent. Such targets are met with scepticism in the business community where Mr Hanekom is criticised for lack of consultation.

According to Mr Hanekom, the deficit will be contained by keeping expenditure growth below inflation and improving revenues without lifting tax rates. He believes an economic upturn will help close the deficit gap, predicting that emergence from recession may bring GDP growth of 7 per cent in 1994, moderating to 5 to 6 per cent in the two following years.

Perhaps the biggest threat to government finances is the size of the civil service which now employs 63,000 compared with pre-independence levels of 54,000. Businessmen doubt whether the cabinet has the political will to address the problem.

US price rises point to stronger recovery

By Michael Prowse in Washington

THE US economy may be gathering momentum after a lacklustre first half, figures released yesterday indicated.

The Commerce Department said consumer prices rose 0.3 per cent between July and August, the biggest increase since the spring. Wall Street analysts had predicted an increase of 0.2 per cent or less. The annual rate of inflation was unchanged at 2.8 per cent.

Separate data for retail sales pointed to stronger than expected *consumer spending*. Officials said retail sales rose 0.2 per cent last month and by 6.3 per cent compared with August last year. Figures for July were revised substantially to show a gain relative to June of 0.3 per cent against a previous estimate of 0.1 per cent.

Analysts at Merrill Lynch, the New York broker, said the figures were consistent with growth of real consumer spending at a robust annual rate of 3.5-4.0 per cent in the third quarter.

Mr Ron Brown, the commerce secretary, said the figures implied the economy was "on track" to achieve the acceleration of growth predicted in the Clinton administration's recent "mid-session" economic *forecast*.

The economy grew at a disappointing annual rate of 1.3 per cent in the first half. The White House and many private sector forecasters are predicting growth at an annual rate of 2.5-3.0 per cent in this half.

The strongest components of *retail sales* last month were sectors sensitive to interest rates that have benefited from a sharp recent decline in long-term rates to the lowest levels in a generation.

Sales of building materials, hardware and mobile homes rose 1.8 per cent last month and 11.6 per cent in the year to August. Sales of motor vehicles and parts rose 0.7 per cent and 14.3 per cent respectively.

Overall, sales of durable goods (items lasting *several* years) rose 0.6 per cent last month and 12.1 per cent in the year to August. The figures are not adjusted for inflation.

More pressure on Franco

By Angus Foster in Brasilia

BRAZIL'S President Itamar Franco yesterday looked further isolated from his main political supporters, the Party of the Brazilian Democratic Movement (PMDB), after the resignation of another PMDB minister from the government, and the threatened departure of two more.

Mr Coutinho Jorge, environment minister, resigned on Monday night as part of the dispute over whether the PMDB should have a greater role in formulating policy. His departure followed the ending on Sunday of the PMDB's conference, which provided a focus for discontent within the party.

Two other ministers, as well as the government leader in the senate, offered to resign. But they were persuaded by the president to stay, at least until next week when the PMDB, the largest party in Congress, is due to decide whether to formally split with the government.

The PMBD's main argument is with President Itamar Franco, who has made a number of senior appointments without consulting the party.

The row overshadowed a press conference yesterday by Mr Fernando Henrique Cardoso, the finance minster, designed to assess the first three months of his "plan of immediate action", launched in June.

Mr Cardoso outlined progress made in areas like agreements on state debts and greater transparency of central bank and treasury accounts. He repeated earlier pledges that there could be "no magic plans" to reduce inflation, running at nearly 2,000 per cent.

Mr Cardoso had planned a higher profile address on television but had to cancel the arrangements because of speculation he was about to launch a "shock" plan to tackle inflation.

Mr Cardoso said private research suggested Brazil would grow 5 per cent this year, its best performance since 1986.

Tax revenues in the first half of the year were 31 per cent higher than the same period last year, and the government has signed agreements with 11 states on rolling over debts. A further six are due to sign agreements today, he said.

IMF lends less to members

By Peter Norman, Economics Editor

THE International Monetary Fund promised much reduced financial support for member countries last year in spite of a massive increase in its resources.

In its annual report, the IMF disclosed yesterday that the Fund made financial commitments to members with economic problems of 3.2bn Special Drawing Rights ($4.54bn/£2.94bn) in the year to the end of April, down from SDR8.1bn in 1991-1992. The IMF's members increased their quotas, or capital backing the Fund's operations, to SDR144.6bn at the end of April from SDR91.2bn the year before.

The Fund said the drop in commitments mainly reflected improved economic performance in many developing countries, particularly in Latin America. At the same time, demand for IMF resources from new members in eastern Europe and the former Soviet Union was less than expected.

Although the IMF has been expecting a surge in demand for its resources for some time, the total outstanding credit that it provided increased only moderately to SDR28.5bn in the past financial year from SDR26.74bn in 1991-1992. It was therefore well below the recent peak of nearly SDR40bn recorded in 1984-1985.

Support for former Communist countries made up most of the SDR2bn promised by the IMF under its usual stand-by *facilities last year*: the remaining SDR1.2bn committed was longer-term financing to Peru, Jamaica and Zimbabwe.

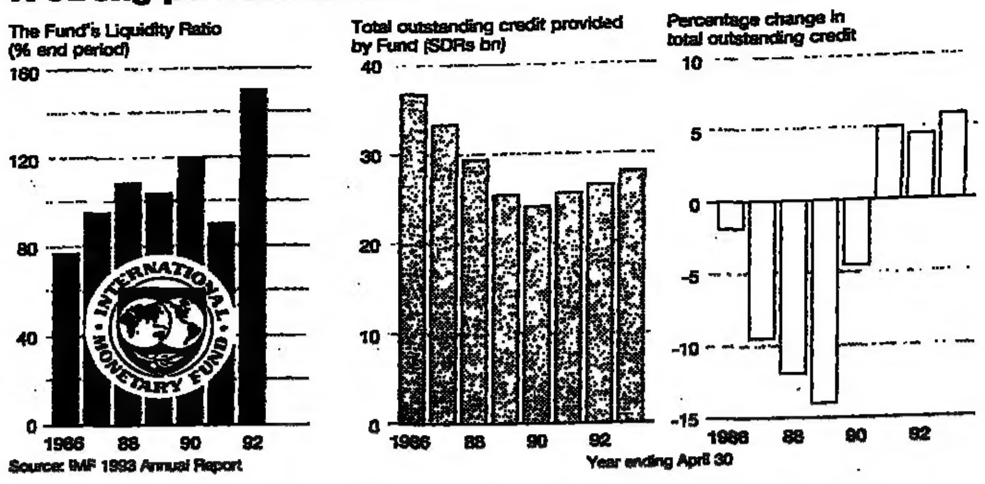
The flow of IMF funds to former Soviet countries and eastern Europe is set to gather pace, however. In the Fund's current financial year, Kyrgyzstan and Russia have made drawings of nearly SDR1.1bn on a new, temporary "systemic transformation facility" (STF) set up in April to help former communist countries adapt to market-based economic systems.

According to IMF officials, a loan for Moldova is pending under the facility, and Kyrgyzstan is expected to qualify for a second loan. Others interested in STF assistance include Belarus, Kazakhstan, the Slovak Republic and Russia.

The IMF has a very strong liquidity position to deal with these rising demands. The report disclosed an increase in the IMF's usable liquid resources to SDR52.2bn in 1992-93 from SDR20.9bn the year before. The ratio of liquid liabilities to usable liquid resources – the liquidity ratio – increased to 155 per cent from 81.6 per cent.

The IMF also reported a decline, for the first time in a decade, in the members' arrears, from SDR3.5bn to SDR3bn. Peru successfully eliminated its arrears to the IMF in the past financial year.

A strong position to lend



Source: IMF 1993 Annual Report

Hopes for facility to aid reform

By Peter Norman

THE International Monetary Fund will seek approval for two measures to support developing and former communist economies at its annual meeting this month. But it is likely to move forward on only one.

The IMF hopes progress will be made towards agreeing the financing of a new "structural adjustment" facility to help low-income developing countries carry out market-oriented economic reform programmes.

But Fund plans for a modest allocation to members of its own reserve asset, the Special Drawing Right, are expected to fall foul of a US veto and opposition from other leading industrial countries, including Germany and possibly Britain.

The IMF wants a SDR36bn ($51bn/£33bn) allocation that would bolster the international reserves of developing and former communist nations. Officials argue that it would stimulate world trade, restore the share of the SDR in global reserves to the 5.3 per cent average of the years between 1971 and 1991 and remove an inequity: 38 members have joined the Fund since the last allocation of SDRs and so never benefited from such a boost to their financial resources.

Both matters are due to be discussed at a meeting of the IMF's policy-making Interim Committee on September 26, ahead of the formal three-day meeting of the IMF and World Bank that begins in Washington two days later.

In its annual report, published yesterday, the IMF said its board of directors reached broad agreement that a new structural adjustment facility worth SDR6bn should be provided to replace the existing Enhanced Structural Adjustment Facility (ESAF) which expires at the end of November.

The ESAF, which has provided funds at subsidised interest rates of 0.5 per cent to 19 poor developing nations, was judged to have been a success.

However, with virtually all industrialised countries experiencing budgetary constraint, differences exist on how to finance a successor to the ESAF.

A suggestion, put forward by Britain's former chancellor, Mr Norman Lamont, that the IMF should sell some of its gold holdings to finance a new ESAF appears to have been dropped.

● NEWS IN BRIEF

Curbs on US banks may be eased

SENATOR Donald Riegle, chairman of the US Senate banking committee, yesterday said he planned to start work in November on legislation extending the right of banks to open branches across state boundaries, George Graham writes from Washington.

This follows a comprehensive endorsement by Mr Eugene Ludwig, who as Comptroller of the Currency is the principal bank regulator in the federal government, of the need for banks to be allowed to open branches in other states. Mr Ludwig also argued for banks to be allowed to sell insurance and other financial services.

The US has a complicated patchwork of banking laws which broadly prohibit the setting up of nationwide branch networks.

Ford talks near deadline

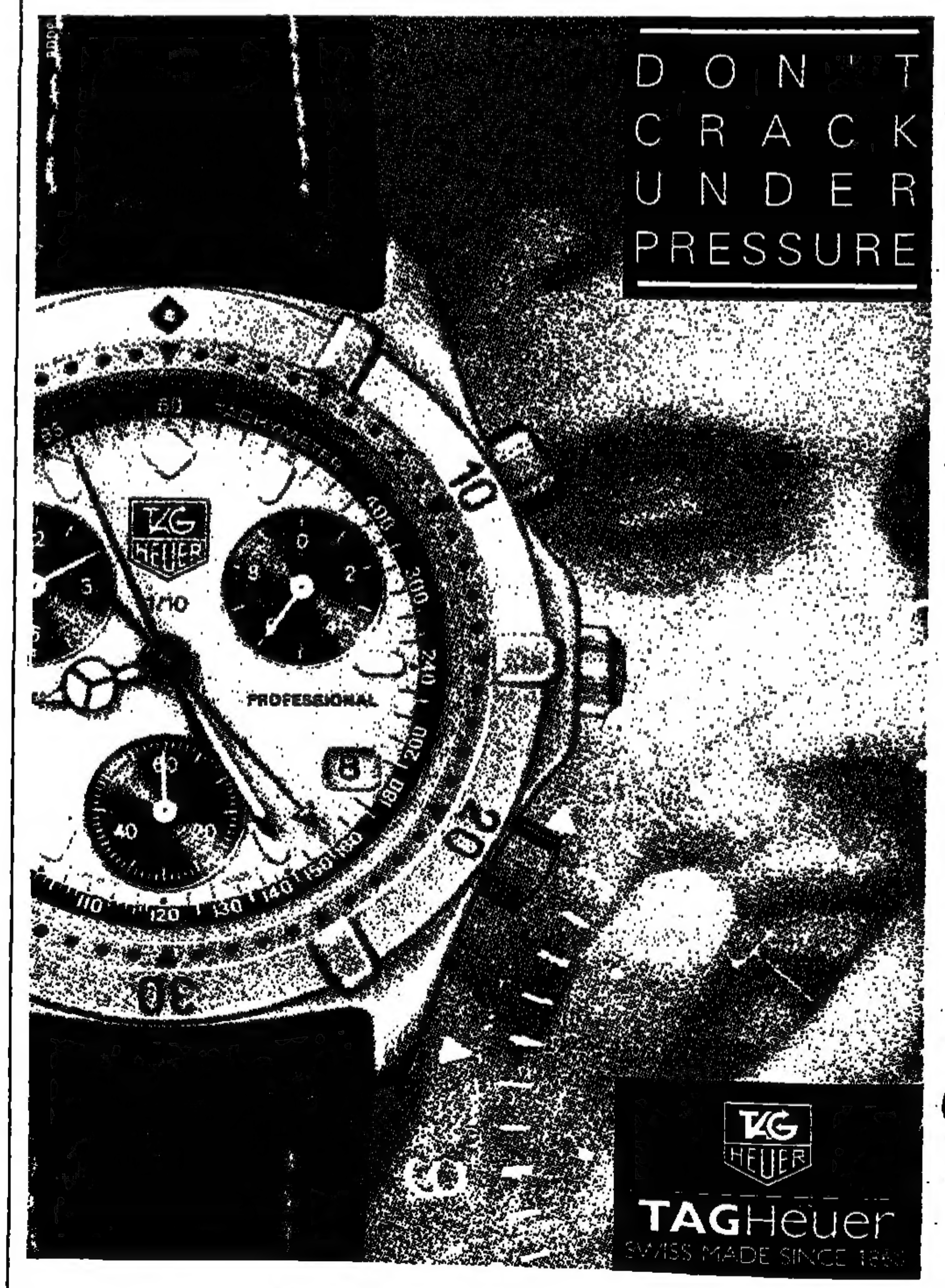
Talks between Ford and the US United Auto Workers union on a pattern-setting new labour contract yesterday appeared to be facing difficulty meeting a deadline of midnight, when the existing three-year agreement expires, writes Martin Dickson from New York.

Mr Owen Bieber, UAW president, said there was no guarantee of a pact being reached by midnight and negotiations were "very, very tough".

Bourassa to stand down

Quebec Premier Robert Bourassa yesterday said he would not lead the Quebec Liberals in the 1994 provincial election, writes Robert Gibbens from Montreal. He will continue as premier until the party chooses his successor at a convention in January.

Mr Bourassa, 60, was premier from 1970 to 1976, returned to power in 1985, and was re-elected in 1989.



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• NEWS IN BRIEF

Curbs on US banks may be eased

New drugs lobby fights for reforms

PHARMACEUTICAL Partners for Better Healthcare, the organisation that commissioned the NERA survey, is a group of 40 of the largest pharmaceutical companies from around the developed world.

They have come together to lobby for reform of national health systems because of their fears that pressures on health budgets are undermining their businesses.

In many countries, short-term measures to cut health spending have included restrictions on prescribing branded pharmaceuticals and the use of new and expensive treatments.

Helping countries with structural reform of their health services appears to be the best way for the drugs companies to fight such restrictions and ensure a healthy market for pharmaceuticals in the future.

As Mr Henry Wendt, chairman of Pharmaceutical Partners, puts it: "We see our customers in difficulty and we want to help them get into shape."

Pharmaceutical Partners is anxious to avoid the charge that it is a short-term response to developments such as President Bill Clinton's health reforms and budget cuts in Germany. The NERA survey was commissioned in April 1992, before Mr Clinton had won the presidential nomination.

John Willman looks at an international survey by a new grouping of world drug companies

Health funds fall further behind demand

DESPITE the efforts of many countries to reform their healthcare systems, the gap between demand for health services and the funds available to pay for them will continue to grow, according to a new survey published today.

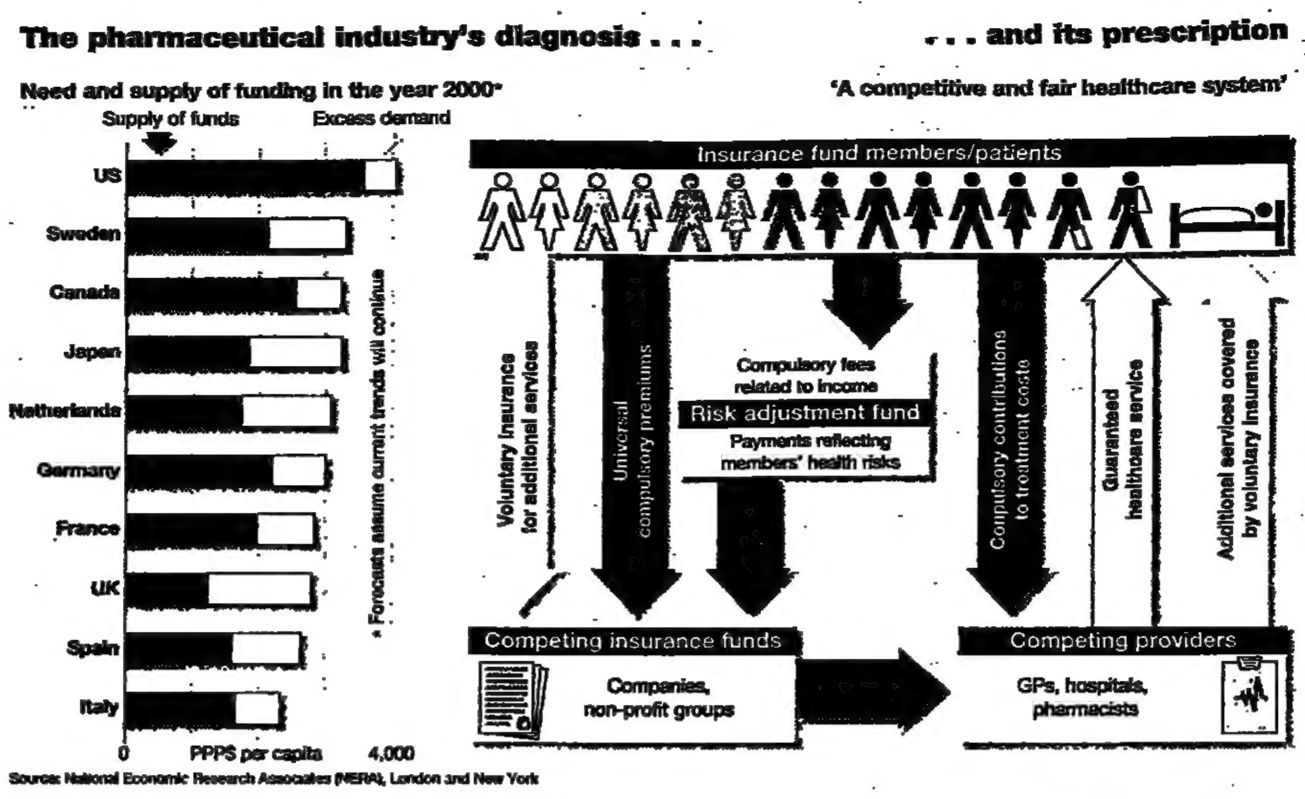
The survey, which covers the health services in 12 countries, has been financed by 40 of the world's largest pharmaceutical companies. They have formed a new organisation, Pharmaceutical Partners for Better Healthcare, to lobby for health reforms to meet the growing demand.

Next week, President Bill Clinton is due to announce his reform package for the US health system, including compulsory membership of healthcare schemes for all citizens. The survey, which has been seen by the task force charged with producing Mr Clinton's reforms, endorses many of the elements expected to be in the package.

The survey says all countries are facing rising health costs. Figures from the Organisation for Economic Co-operation and Development show that spending on health as a proportion of national income has more than doubled for many countries in the past 30 years.

The UK now spends three times as much in real terms on healthcare per person as 30 years ago. The US and Germany spend four times as much, while France spends five times.

The two main causes of this growth are technological innovation, which has led to new and more expensive types of treatment, and demographic change, with growing numbers of elderly people who use more health services.



Source: National Economic Research Associates (NERA), London and New York

The growth is faster than many countries think they can afford, according to the survey. Most of the 12 countries surveyed have launched reform programmes, but these are often deeply unpopular.

In many cases, countries are resorting to short-term measures to curb the growth in costs. But piecemeal measures are often counter-productive, the survey says, since saving money in one sector often forces up costs elsewhere. Introducing charges for consulting family doctors, for example, will increase demand for hospital treatment if that remains free.

The survey argues that only structural reforms, which should aim to create systems that provide incentives for doctors and patients to economise, will work in the long run.

On present projections, demand for health services will outstrip funding by between 2 per cent of GDP in the US and 9 per cent in the UK and the Netherlands, calculates the National Economic Research Associates, the economic consultants who carried out the survey .

The NERA survey identifies principles that should guide healthcare reform. These include compulsory competitive insurance systems which guarantee a basic package of health services.

None of the 12 countries provides a perfect model, according to NERA, though the ideal prototype partly resembles reforms now being implemented in the Netherlands.

In the US, with its private insurance system, universal access to a basic package of health services is the key to reform, the survey says. For European countries with tax-funded health systems, such as Britain or Sweden, more competition is required to provide incentives for greater efficiency.

Mr Richard Rapp of NERA says: "There are many lessons to be learned from the experiences of other countries. But don't look to any of the countries for *the* answer."

Patient choice is an essential element in increasing efficiency. If an insurer fails to keep costs down, their members should be able to change to other, cheaper insurers.

However, patients should also be expected to contribute towards the cost of their healthcare to foster cost-conscious behaviour.

The role of governments is to set standards and define the range of services to which everyone is entitled.

While governments should not have a dominant role in financing or monitoring the system, they are the only bodies that can launch the legislative and administrative changes needed for structural reform, the survey concludes.

Financing Healthcare with Particular Reference to Medicines. NERA, 15 Stratford Place, London W1N 9AF. 16 vols: £150 ($225). Summary: £15 ($32.50). Individual country reports available separately.

Study sets out model scheme to close gap

THE pharmaceutical companies' study sets out the features of a healthcare system that could use competitive market forces to close the gap between demand for health services and the funds available to pay for them.

They describe this model as a prototype, which countries seeking to reform their health systems could work towards. At its heart is a basic package of health services, available to all regardless of their ability to pay.

Every citizen would be required to sign up for healthcare insurance from competing insurers.

To stop insurers from selecting only the healthiest customers, they would have to accept all applicants.

Each individual would pay a two-part health insurance premium. The first, related to income, would go into a central "risk adjustment" fund, and redistributed to insurers, with more going to these with most unhealthy members.

The other part would be paid directly to the insurer by the member, as a sort of membership fee. Insurers would be allowed to set their own premium rates for the basic package, so the more efficient would be able to undercut their rivals.

The insurers would buy the services from competing healthcare providers such as hospitals, doctors and pharmacists.

Mexicans lower expectations in case US Congress rejects trade pact

Salinas plays down Nafta deal

By Damian Fraser in Mexico City

PRESIDENT Carlos Salinas yesterday played down the importance to Mexico of the North American Free Trade Agreement, in apparent response to concerns that the treaty might be rejected by the US Congress.

In a speech which appeared to have been written before US President Bill Clinton's strong endorsement of Nafta yesterday, Mr Salinas said neither the treaty nor the side accords were a panacea. They would not resolve Mexico's problems, and were just one element of the country's opening to the world economy.

The Mexican president was speaking as he signed the supplemental accords to the treaty. "No one will do for Mexico what Mexico does not do for itself," he said. "This is the truth, independently of the treaty and the accords."

The president now appears to be lowering the expectations of future wealth generated by Nafta, which he helped build up, and preparing Mexico and foreign investors for the possibility that the US Congress might reject Nafta.

The speech was considerably less upbeat than one he gave after the side accords were concluded last month.

Mr Andres Rozental, deputy minister of foreign affairs, said: "It is evident that there is still a question of whether the US constitutional process will be finalised and that obviously has a bearing on the way the treaty is looked at." Congress is expected to vote on the trade pact later this year.

The president chose the signing to stress advances that Mexico had made that did not depend on Nafta. He said Mexico would probably join the Organisation for Economic Co-operation and Development before the end of next year, and would shortly sign a trade treaty with Venezuela, Colombia and Bolivia and a separate one with Central America.

"Mexicans", the president said, "are not waiting for the day that the treaty comes into force to redouble our efforts. We have already been working so that Mexico integrates more intensely with the world economy."

Brittan in Uruguay Round plea

By Nancy Dunne and Lisa Bransten in Washington

SIR Leon Brittan, EC commissioner in charge of trade, said yesterday Europe and the US would lose all credibility with other Gatt members if they could not reach agreement and conclude the Uruguay Round by the December 15 deadline.

"We have sufficient will and sufficient determination to proceed," he said, adding that the US had consulted widely with its trading partners before fixing the deadline with Congress. This refuted a French suggestion that the US had imposed the December 15 deadline on the rest of the world and must therefore be held responsible if the round cannot be completed by that date.

Speaking at a Chamber of Commerce breakfast, On the Gatt, he suggested that the US-EC Blair House deal could not be approved until there was agreement on agricultural issues in the Uruguay Round as a whole.

Sir Leon brushed aside the question of whether French objections over the US-EC Blair House deal on agriculture will be allowed to sink the Round well before the final leg of the negotiations proceeds.

He said EC members could not formally agree to any part of Blair House until they have a comprehensive package on agricultural issues through the Uruguay Round. "It is part of an ongoing process and at the end of the day nobody is asked to take a position until a whole deal is available.

"In setting [the deadline] the US consulted widely with the international community; we if anything argued for a slightly shorter deadline," he said.

He warned Americans that the US offer of tariff reduction proposals on apparel and clothing was insufficient. Japan and the newly industrialised countries must also improve their offers on financial services and agriculture and cut tariffs in sectors such as shoes and leather goods.

Old-style peasant rebellions

Alison Maitland explains the tradition behind French farm protests, and the way other countries' farmers make their feelings known

WHEN Mr David Evans, director general of Britain's National Farmers' Union, joined an international lobby organised by French farmers against the US-EC farm trade deal in Strasbourg last December, he was wounded in the leg by a rocket fired by a French protester.

It was symptomatic of a clash of tactics. While French farmers try to blockade Paris today in the latest show of force against the Blair House agreement, their counterparts in Britain and other EC countries, will be trying to win the minds of their politicians.

The scenes from French television are familiar – burning tyres, blocked railways, streets piled high with potatoes, truckloads of mud dumped outside government offices, bloodied farmers clashing with riot police. In countries such as Greece, Ireland and Portugal, the agricultural sector contributes far more to GDP and employs a much larger percentage of the workforce – yet it is French farmers who always steal the headlines with their high-profile protests.

Old French customs: wine producers from Béziers burn Italian and Spanish grapes in protest at EC import regulations Reuter

That is partly because France is the EC's main agricultural powerhouse and the world's biggest farm exporter after the US, giving it the strength to make or break the Uruguay Round.

But French farmers are able to pursue the tradition of *jacquerie*, or peasant revolt, which goes back to the 14th century, because they have so much domestic support. Today's planned demonstration is by Co-ordination Rurale, a splinter group which broke with the main FNSEA union in 1991, saying it was too moderate.

"There's a large amount of public sympathy for the rural interest, which you don't get to the same extent in other EC countries," says Mr Brian Gardner, director of EPA Associates, a Brussels-based agricultural consultancy. "The French have a quasi-religious attitude to food and the rural sector… there's still a tremendous tolerance of the poor, under-privileged peasant as the urban majority sees him."

The proportion of the workforce engaged in agriculture has fallen from 22.5 per cent in 1960 to just 6 per cent today, but that is still three times the level of Britain. There are few French families who do not have a relative working on the land or own a rural retreat.

French farmers take to the streets before important EC councils like the one which will bring foreign and agriculture ministers together to discuss the US-EC draft farm trade deal next Monday. "It's part of the theatre, of creating the right atmosphere to get what they want," says Mr Gardner. "They have tacit support from the government because of the tenderness of the political relationship."

Most French farmers vote for the right, but there is a strong Communist constituency in the south and the Socialists also have farming support in areas such as Brittany. No party can afford to ignore them.

Yet the more peaceful lobbying tactics used by farmers in other leading EC countries are arguably just as effective.

As in France, the farming vote is pivotal in Germany, whose government's stance on French demands for a renegotiation of Blair House will be crucial. The Christian Social Union (CSU), the Bavarian partner in Chancellor Helmut Kohl's CDU-led coalition, has significant backing from farmers in its southern German power-base and their demands must be taken into account.

The German farmers' union, which claims to represent more than 90 per cent of farmers, occasionally launches street demonstrations. But like Britain's NFU, it prefers negotiation.

Big protests win little public tolerance in Germany. On the other hand, many smallholders in western Germany also have jobs in factories, increasing support for farming interests in urban communities. Farmers account for 3-4 per cent of the workforce in western Germany, and some 38 per cent are estimated to be part-timers.

The German farm lobby has been effective at getting a good deal out of the CAP and the German government, says Prof Wyn Grant of Warwick University, an expert on farming lobbies. "They've relied on their links with the political parties, particularly the CSU and the FDP, and with civil servants behind the scenes."

He points out that the EC's "green money" system has until now worked in their favour, preserving them from cuts in Ecu-based farm prices which would normally have resulted from the strength of the D-Mark.

The NFU in Britain is one of the country's most powerful pressure groups. Its president has constant access to the agriculture minister and ministry officials studiously consult producers whenever new proposals are on the table. British farmers traditionally vote Conservative and links with the party are close, although support has been ebbing away to the Liberal Democrats in the last couple of years.

The union prides itself that its style of lobbying forced changes to the CAP reform proposals which would have put England's large farmers at a particular disadvantage.

The NFU has rejected confrontation partly because it already has a struggle maintaining a good public image. Farmers, for all their protests to the contrary, are still popularly regarded as wealthy landowners. Improving their public standing, for example by supporting a Gatt deal even though it will cause farmers further pain, is seen as even more vital now that CAP reforms are making the size of EC support payments more transparent.

Nonetheless, today's anti-Gatt demonstration around Paris will be watched closely by farmers both in the EC and in the US.

French farmers, who will today try to blockade Paris, risk "isolation" within French society if they disrupt the life of their fellow citizens, Mr Jean Puech, the country's farm minister, warned yesterday, writes David Buchan from Paris.

But Mr Philippe Arnaud, a leader of the hardline Co-ordination Rurale which is mounting today's protest, claimed yesterday his organisation was trying to bolster, not thwart, government demands for a better deal for French farming.

"We just want to show that there are some Robin Hoods determined to defend their way of life," he told Le Figaro newspaper.

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SEPTEMBER 15 1993

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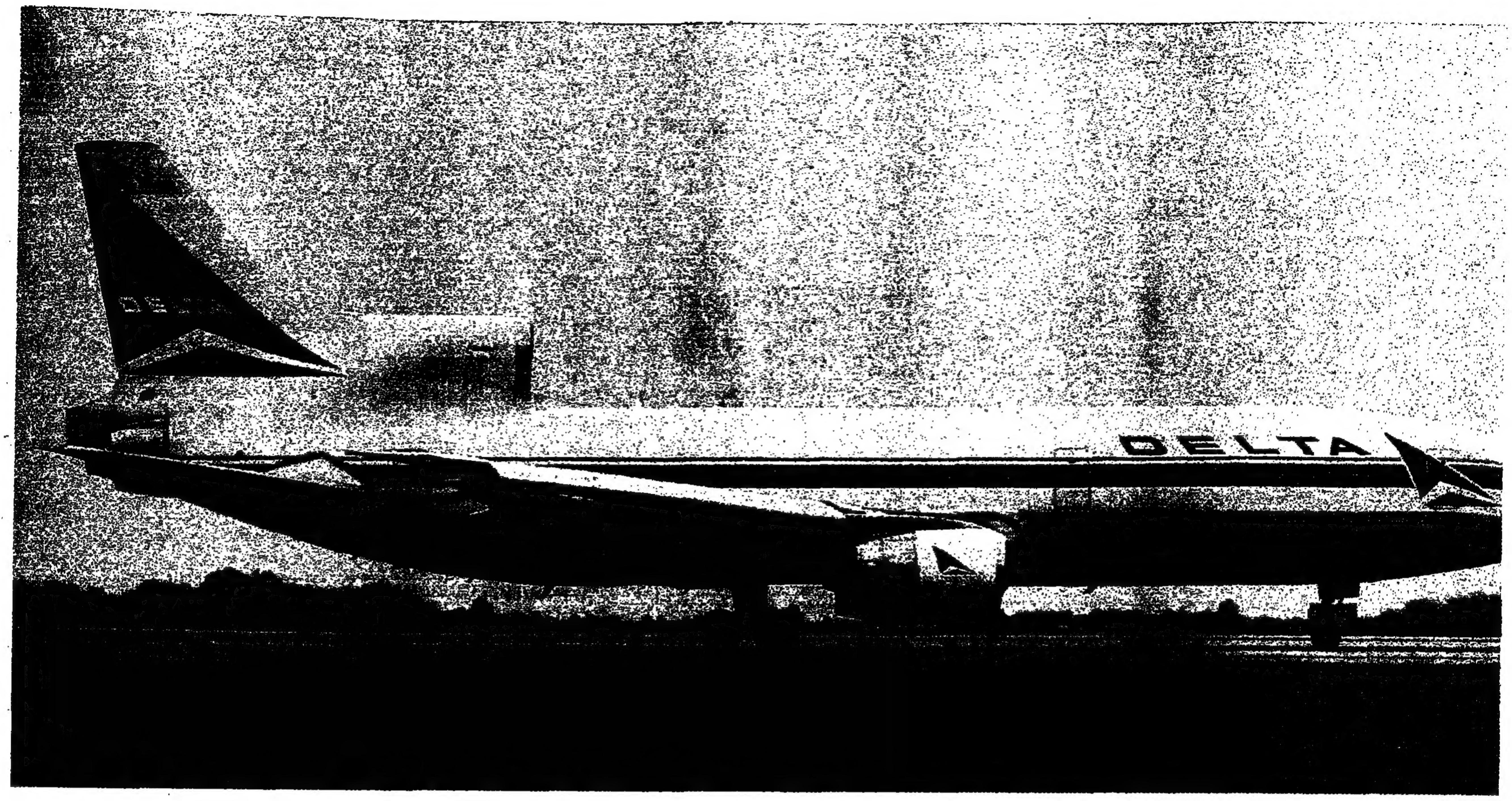

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Bock joins Palumbo in developing City site

By Vanessa Houlder and Roland Rudd

THE 35-YEAR struggle by Lord Palumbo to build on one of the City of London's most prominent sites – opposite the Mansion House and close to the Bank of England – came to an end yesterday.

Lord Palumbo, chairman of the Arts Council, the UK's umbrella funding organisation for the arts, and Mr Dieter Bock, the German financier who is joint chief executive of Lonhro, yesterday announced a joint venture to develop the site.

The plot, which has the official address of No. One Poultry, is now occupied by buildings which are listed as of architectural merit – including the well-known Mappin & Webb building.

The deal marks the beginning of a new phase of speculative development in the City of London, which is starting to stabilise after suffering one of the fiercest downturns of any property market in the country. "The recession has turned the corner," said Lord Palumbo.

The plans for the site have been opposed by conservationists including Prince Charles who described Sir James Stirling's design as a "1930s wireless set".

But the Corporation of London, the local government authority in the area which in the past opposed the project, has indicated its consent.

Mr Bock has personally acquired 50 per cent of the site. Advanta, the Frankfurt-based property company of which he controls 80 per cent, will provide the funding and undertake the building's project management.

Lord Palumbo said he was introduced to Mr Bock at the beginning of the year by a mutual friend who knew they shared a passion for the architecture and the arts. "We had an immediate rapport," he said.

The two men immediately decided to go into partnership but delayed their announcement until they had received the support of the corporation. "They took the view that it would be absurd to keep challenging the development" said Lord Palumbo.

Mr Bock said he was delighted that all the legal hurdles had been surmounted. But Lord Palumbo was more circumspect: "It's as if you are leading one-nil, but you cannot afford to relax in the last two minutes of the game."

The construction of the building, which will have 125,000 sq ft of offices and 25,000 sq ft of retail space, is expected to start next April or May and will be completed in 1996.

The building is on a triangular site bounded by Poultry, Queen Victoria Street and Sise Lane, facing the Royal Exchange and adjacent to the Bank of England and the Mansion House.

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The Duke of Edinburgh speaking yesterday at a mass held in an Anglican church in Newark, central England, to mark the return to Poland of the remains of wartime leader Gen Wladyslaw Sikorski

Drivers face ride on Texas-style 'railway on rubber'

By Charles Batchelor in Houston, Texas

THE UK is to look at a system developed in the US for reserving motorway lanes for car pool users, buses and other cars containing at least two people, Mr John MacGregor, the UK transport secretary, said.

Mr MacGregor was speaking after viewing the operation of the "high occupancy vehicle" or "transitway" system in use in Houston, Texas. Transitways are single lane segregated highways which run down the middle of conventional freeways. "This is a rail system on rubber tyres," said Mr Hector Garcia, Houston community affairs director.

Mr MacGregor said: "If this can be achieved in a country with a car culture there are possibilities. But translating the system across to the UK would need thought." He acknowledged that lack of space on British motorways would limit its use in the UK.

The Metropolitan Transit Authority, which runs the local bus service as well as building the transitway system, calculates that one transitway can carry the same number of people as five standard lanes of freeway.

Transitways run down five of the main freeways into central Houston but are to be extended to seven. Sixty miles of the 105-mile system have been built.

The segregated transitways carry up to 75,000 people a day but could take up to 150,000. They can shave one minute a mile off travel times in the rush hour. The transitways are single lane but the travel direction is reversed at midday to match the direction of rush hour travel.

Houston first considered a rail system but volumes did not justify the expense.

Use of the transitways has been increased by the downturn in the oil industry, which has put pressure on family incomes, and also by federal clean air legislation. Companies employing more than 100 people on one site will be required to make greater use of car or van pooling systems by 1996.

Britain in brief

Motorways poll finds low score for UK

Only two per cent of European drivers think UK motorways are the best in Europe, according to a survey commissioned by Europcar Inter-rent UK, the vehicle rental company. The poll, by ISO Group, questioned 7,000 drivers in Belgium, France, Germany, the Netherlands, Italy, Portugal, Spain, Switzerland and the UK.

Only the motorways of Portugal won less support than the UK with just 1 per cent voting them the best.

Almost half those questioned thought Germany's autobahns were the continent's finest motorways, followed by the French system on 21 per cent. Two thirds of all Europeans questioned felt that the British should drive on the right, while one in three drivers in the UK agreed.

Tax concession on UK homes

The Inland Revenue issued an extra-statutory concession to ensure that most people who work overseas will not be subject to tax simply because they have a house in the UK. The amendments will apply during the tax year 1992-93, and reflect changes announced in the budget. They cover the period before the new regulations came into force.

Gummer call on recycling

Businesses must be prepared to pay for more recycling of packaging, Mr John Gummer, environment secretary, told businessmen.

At a meeting with 26 British companies to discuss progress towards government recycling targets, he also called for "immediate action to safeguard the recycling [of] plastics, paper and board threatened by subsidised foreign imports".

The growth of recycling in several European countries has been handicapped by the overflow of unwanted recycled packaging from Germany. Following the financial plight of the German schemes, the UK government announced that it would consult industry carefully before committing itself to a policy.

Mr Gummer has told industry leaders that he wants them to prepare a plan by Christmas to allow Britain to recover between 50 and 75 per cent of packaging waste by the end of the decade.

Smith wins vote on selection

Mr John Smith, leader of the opposition Labour Party, won a potentially significant victory in his battle to introduce one member one vote in the selection of Labour parliamentary candidates. Some of the biggest trade unions affiliated to the party want to keep their "block vote" system instead.

The executive of Usdaw, the shopworkers union, the sixth-largest affiliate to the party, decided that the union's delegation to the party conference at the end of the month should be free to back Mr Smith's reform proposals.

MPs 'against more aid cuts'

Mr Martin Griffiths, director of the charity Actionaid, claimed that any further cuts in Britain's overseas aid budget would be "out of line with the feelings of the majority of MPs".

He said this had been established by the views expressed by 100 MPs in a survey conducted by Gallup.

BT union urges pay action

The National Communication Union, the main BT union, is to ballot its members over industrial action, following rejection of a 1.9 per cent pay offer from BT. The offer, described by BT management as "final", covers 110,000 engineers and clerical workers. The ballot result is likely to be announced at the end of October.

Cadbury code delayed

Leading companies agreed with accounting standards setters on delaying the implementation of parts of the Cadbury code of corporate governance. Directors have been concerned about the level of disclosure which they will have make under the code and said that they had been given insufficient time to respond to the guidelines.

Sir Ron Dearing, chairman of the Financial Reporting Council, was last night still trying to seek approval for a new timetable from Sir Adrian Cadbury, who chaired the committee on the financial aspects of corporate governance.

Caution greets industry output rise

By Emma Tucker, Economics Staff

MANUFACTURING OUTPUT bounced back in July after falling sharply in June, but changes to the way in which the figures are compiled cast doubt on the strength of growth so far this year.

In July the monthly rise in manufacturing output was 0.7 per cent following a sharp 2.1 per cent fall in June. Compared with the same month a year ago, output was 1.7 per cent higher.

Manufacturing output is still growing faster than other sectors of the economy and remains well above last year's levels. But a new series of statistics from the Central Statistical Office shows that manufacturing growth in the first half of the year was much weaker than previously reported. Figures rebased to 1990 show that output grew by 1.2 per cent and 0.6 per cent in the first and second quarters of this year against 2 per cent and 1.4 per cent under the old series.

However, a drop in production towards the end of last year was not as steep as previously recorded. Compared with a year before, the growth rates for the first six months of the year were revised only slightly downwards.

Confirming the flat profile of output since January, the latest figures show that, in the three months to July, manufacturing output grew by 0.1 per cent compared with the previous three month period. It was the lowest quarter-on-quarter gain since the three months to January. However, output was up 2.2 per cent compared with the same three months a year before.

The CSO said the changes to the manufacturing figures would not have a big impact on GDP. While they may change the quarterly profile of non-oil GDP, the strength of manufacturing output on a year-on-year basis means the changes are unlikely to alter greatly the recent trend of steady growth.

The monthly rise in manufacturing output was concentrated in investment goods. Output of this category rose by 1.5 per cent compared with June when it dropped by 2.9 per cent. Output of consumer goods, which was flat month-on-month, rose 0.3 per cent in the latest three months compared with the same three months a year ago.

The strongest manufacturing industries were textiles, leather and clothing, coke, petrol and nuclear fuels. Food, drink and tobacco and chemicals suffered the sharpest quarter-on-quarter drops.

Mining and quarrying, which under the new series no longer counts as manufacturing, grew by 6.3 per cent compared with the latest three months.

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Families to sue over baby foods

By Tim Burt

SOME OF the biggest manufacturers of baby foods are about to face legal action over the sugar content of children's drinks in one of the largest multi-party compensation claims filed in Britain.

A High Court judge is expected to begin considering the case shortly against SmithKline Beecham, Boots, Cow and Gate, Milupa and Robinsons following legal submissions by solicitors representing more than 700 families.

A steering group of solicitors acting on behalf of 90 law firms said yesterday that all the families had been granted legal aid to pursue the claims, which allege that the products were defective and that the companies acted negligently in failing to print labels warning of high sugar contents in drinks designed for babies.

Potential damages could run into millions of pounds, according to solicitors who warned that the total number of family claimants could exceed 1,000 by the time initial court hearings begin. The companies involved yesterday denied legal liability for any dental problems among infants and pledged to contest the action.

SmithKline Beecham, which manufactures Baby Ribena, said it was aware of the pending proceedings but had not yet received writs. The labelling of Baby Ribena had been altered recently, the company added, but it denied the decision was linked to the legal action.

The action is supported by professional health groups including the Health Visitors' Association and the Royal College of Midwives which are concerned at the incidence of dental disorders linked to high-sugar drinks.

Announcing their decision to proceed with the action yesterday, the solicitors' steering group – comprising partners from three firms based in Liverpool and one in Birmingham – said they had met barristers in London earlier this week to plan their case against the manufacturers.

Mr Graham Ross, a partner at Liverpool-based solicitors J Keith Park & Co, said: "This could be a massive claim involving thousands of people by the time it gets to the High Court."

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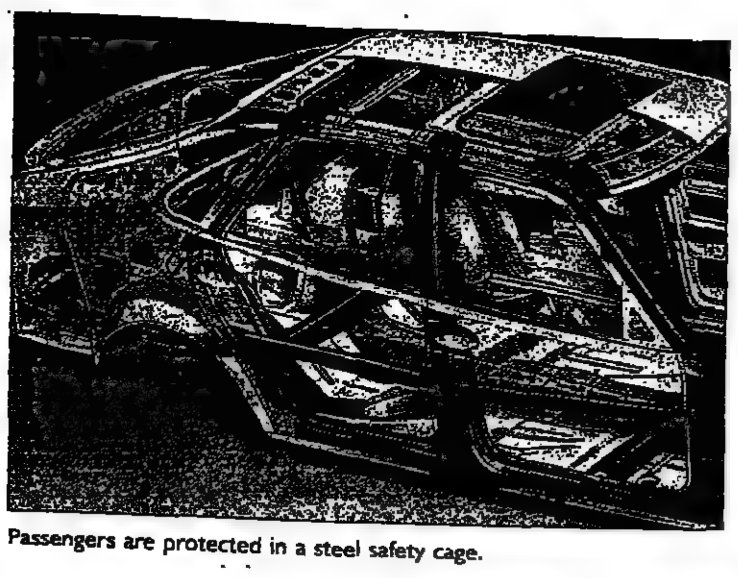

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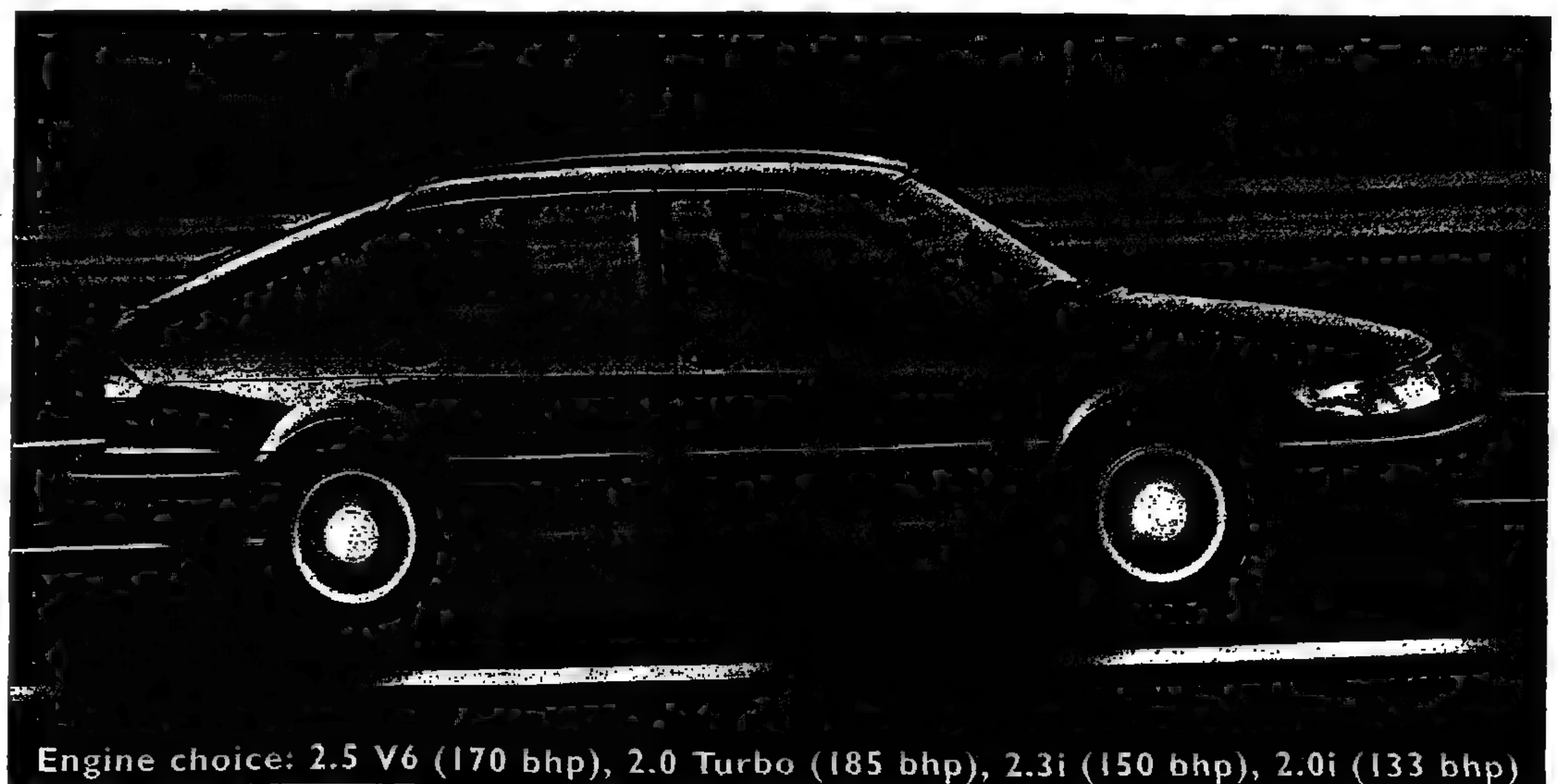

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Unions threaten 'chaos' over tight pay curb

By Kevin Brown, Political Correspondent, and David Goodhart, Labour Editor

LEADERS of Britain's 5m public-sector workers threatened widespread industrial action yesterday after Mr Kenneth Clarke, chancellor of the exchequer, announced a virtual freeze on pay and warned that job losses would follow "excessive" settlements.

Mr Alan Jinkinson, leader of Unison, the biggest union, said the government "should be in no doubt that it faces enormous industrial chaos and unrest".

Mr John Monks, TUC general secretary, called an emergency meeting of public-sector unions to co-ordinate protests. The TUC also demanded an urgent meeting with Mr Clarke.

In a statement to the pay review bodies, which make pay recommendations for 1.4m public sector workers, the chancellor said 1994-95 pay increases must be funded by productivity improvements.

He said the government salary bill would be frozen at 1992-93 levels to force departments to set pay "at levels no higher than necessary" to retain and motivate staff.

"We have to break the inflation psychology that in the past has led to expectations of pay increases every year unrelated to efficiency improvement or the ability of the employer to pay," he said. Mr Clarke also warned the pay review bodies that the government will refuse to dip into its contingency reserve to finance pay settlements regarded as excessive.

"Higher pay costs not funded by efficiency savings would therefore lead to reduced spending on services or reduced employment in the services and professions concerned," he said.

The announcement places a question mark over the future of the pay review bodies, which were set up 12 years ago to distance the government from sensitive sectors such as nurses and the armed services.

It also means that the government is prepared to face the political impact of job losses flowing from cash limits, which ministers believe could be blamed on the unions.

The government's aim is to prevent a round of "catch-up" pay settlements following the end of its 1.5 per cent ceiling on public-sector pay in 1993-94. However, the announcement is also intended to mollify righ-twingers angered by Mr Clarke's insistence that tax increases remain an option for the November Budget.

Mr John Smith, leader of the opposition Labour party, said it was "wholly unfair of the government to seek to penalise teachers, nurses, firefighters and others in the public sector to pay for their own economic mismanagement".

Chancellor warns against rush back to old-style EMS

By Peter Norman, Economics Editor

MR KENNETH CLARKE, the chancellor of the exchequer, yesterday warned EC countries against rushing to recreate the European Monetary System as it existed before the August currency crisis.

In the first extended discourse on future EC affairs given by a British minister since the near collapse of the European exchange rate mechanism, Mr Clarke called on the community to adopt economic and monetary disciplines that were "realistic and take account of the lessons from the recent past".

Delivering the Swiss Bank Corporation annual lecture in London, he said the EC's future economic discussions should be guided by three basic principles:

- Free markets and free trade, including the need to complete the single market and complete the Uruguay Round of trade liberalisation talks.
- Sound budgetary policies to keep real interest rates down to levels that would make investment attractive.
- Price stability with monetary policies in each member state geared to ensuring that the EC is a zone of low inflation.

These principles – clearly based on UK policy since the exit of sterling from the ERM a year ago – were, he said, the right way to achieve greater convergence of economic policies while making the community competitive with the outside world.

His opening words, which referred to European union instead of the EC, were unlikely to endear him to Euro-sceptics. "Britain," he declared, "will be a member of the European union for the foreseeable future."

But he depicted the Maastricht Treaty as having broken the "federal mold" for the EC.

Officer Binch calls inquest on Bodvoc treasure

By Jim Kelly

A TREASURE hunter who found a horde of Iron Age coins buried in a field in central England will have to wait for one of Britain's most ancient institutions to decide who can keep them.

Modern technology, in the form of a metal detector, unearthed the seven gold and 977 silver coins of the 1st century AD. But it will fall to a jury in a court led by a coroner, whose office dates back to 1194, to decide if they are "treasure trove".

The coins, some bearing the name of Bodvoc, a local ruler of the Dobunni tribe who reigned from AD 40 to AD 47, are in Worcester police station and will today be taken to the British Museum in London for evaluation.

Meanwhile Mr Richard Binch, the coroner's officer, is preparing to call a jury to attend at Worcester Magistrates Court in about two months. There the coroner will ask for evidence from the finder, archaeologists and historians.

The question will be a simple one for the jury. Was the horde buried in a bag by a Briton 1,900 years ago as the Roman invasion spread panic across the country ? Or was it a freak loss which lay discarded for nearly two millenia ?

If the verdict is that the horde, variously valued at between £1m and a more sober £45,000, was hidden, then it is "treasure trove" and is Crown property. A museum would then compensate the finder at market value. But if the jury decides that the coins were lost then the owner of the land, who in this case gave permission for the tresure hunter to cover his fields, would become the owner of what Hereford and Worcester Council believes is a find of "national importance".

For the coroner, Mr Robert Davies, the hearing, known as an inquest, will provide fleeting publicity. But for Britain's scattered coroners the history of their office has been one of gradual erosion of powers.

Coroners protected the fiscal rights of the Crown, which included acquiring the goods of convicted murderers and money raised in fines. The office of coroner therefore originates with investigations of violent death, and today the main duty of the coroner is still to inquire into unnatural deaths.

Coroners also investigate finds of buried treasure. All finds of gold and silver coins are supposed to be reported to a coroner. But many finds go unreported in the modern mania for metal detecting.

Luckily for archaeologists, the Bodvoc find is an exception. Now the site may yield further evidence of Britain before the Romans.

Coroner's officer Richard Binch examines the horde of ancient gold and silver coins found in a field

Barclays to make 500 forced job cuts

By Andrew Jack

BARCLAYS BANK said yesterday that 500 staff in London and the south-east were likely to lose their jobs in the first compulsory redundancies in its branch network.

It said that as many as 800 staff in the region were "surplus" to its needs and that much of the reduction it wanted could not be met through its voluntary redundancy programme.

Mr John Cotton, Barclay's personnel director, said: "This is something we all sought to avoid but it is justified by the needs of the business and we have to face up to it. We feel great regret but these jobs are lost forever."

Barclays said most of the reductions were not related to the recession, but to a longer-term process of restructuring which required fewer staff.

They were part of a plan for reducing staff by 18,000 over five years from the start of 1991, of which London and the south east were most affected.

But Bifu, the Banking Insurance and Finance Union, condemned the losses yesterday and said the announcement had "come out of the blue".

"We are totally opposed to compulsory redundancies on principle," Bifu said. "This announcement shows that nobody in Barclays is safe in 1994."

Murdoch scraps ad sheet after one issue

By Raymond Snoddy

MR RUPERT MURDOCH'S News International has suspended publication of its Shoppers' Friend newspaper insert after only one issue.

Shoppers' Friend was a free-standing insert containing only discount coupons for supermarket products and paid for by advertising from the companies offering the discounts.

Such coupon booklets are big business in the US and News International decided 18 months ago to try to introduce the concept into the UK.

The eight-page Shoppers' Friend that appeared in April was carried in two Murdoch titles, the News of the World and The Sunday Times. It also appeared in The Mail on Sunday, published by Associated Newspapers.

News International yesterday blamed the recession for the failure as well as widespread problems on redeeming the discount coupons.

News International found that many supermarket staff were simply accepting the coupons without making sure customers had bought the products involved. News International declined to say yesterday how much the venture had lost.

Meanwhile in the US Mr Murdoch's News America is being sued by Sullivan Marketing, the coupon free-standing insert subsidiary of Sullivan Communications.

The company alleges that News America and Valassis Communications, 49 per cent controlled by Consolidated Press Holdings of Australia, have indulged in "improper and anti-competitive business practices."

MANAGEMENT

Sir Terence Burns, permanent secretary to the Treasury: the best move is out not up

Escape from the ivory tower

Rachel Johnson reports on a Treasury scheme to allow high-flyers to stretch their wings in the private sector

Tomorrow's mandarins will, if the Treasury has its way, get their hands dirty at least once in their civil service careers.

Sir Terence Burns, the permanent secretary, has decreed that the best move a Treasury high-flyer can make is not up, but out. After a decision taken at the Treasury Management Board this summer, high-flyers between grades three and seven are destined to leave the Whitehall cocoon, enter a private-sector company and spend a couple of years learning about life at the sharp end of economic policy.

After the spell outside, the Treasury expects its secondees to resist the lure of better pay and return freshened enough to "import ideas and challenge the orthodoxies of internal management as well as its policies".

The scheme could certainly help salvage the relationship between the Treasury and business: the department acknowledges criticism that its officers have rarely left the ivory towers of Whitehall to experience the constraints and pressures of the wealth-creating sector.

But do managers feel their companies – who will, for a start, have to reimburse the government for the salaries of the secondees – gain quite so much from the scheme as the Treasury expects?

While Sir Terence's office has been bombarded with letters of interest since the FT reported his decision, a minority are openly sceptical.

The reaction of Charles Drace-Francis, the government affairs director of British Aerospace, is all the more surprising because he is enjoying an extended secondment from the Foreign Office.

"What on earth makes the Treasury presume that in the middle of a recession, after we've sacked 7,200 people and about to sack 2,000 more, that its people are wanted?" he demands.

He is clear, however, about the benefits diplomats can bring business. "We know how to negotiate, and we know how to report. A production engineer never writes anything down. If told to make a table, he would never question whether it had to have four legs."

John Emmins, of the Federation of Small Businesses, accepts that it is a "step in the right direction if only because civil servants, government and banks seem to know so little about business".

Beyond that, he doubts the scheme will have the desired effect as civil servants are too set in their preconceptions to learn much from the private sector.

Sir Ian Wrigglesworth, the deputy chairman of Livingston Group, the industrial mini-conglomerate, also has his doubts. "It all depends on the firm. Small and medium-sized businesses are pretty lean and would get very little short-term benefit from installing a civil servant and training him up to see what the company is all about," he says.

Others see more mutual benefits – and are keen to grab a mandarin as soon as possible. Michael Corrigan, the secretary of the Association of British Insurers, says the ABI held an immediate board meeting to discuss how member companies might secure civil servants. Since the Financial Services Act, he points out, the Treasury regulates life assurance companies and they are, naturally, keen to put their points to the regulators.

The Prudential confirms its approval of the scheme. "We've always maintained informal links with Whitehall but the secondments would definitely help us learn a bit more about how the civil service operates," it says.

On the whole, though, managers think that it is far more important for civil servants to learn a bit more about them. John Parsons, founder of Time and Data Systems, the security-card manufacturer in Dorset that employs 50 and turns over £3m a year, supports the scheme. "It's immensely valuable for people to get inside information, particularly about small and medium-sized businesses because they are overburdened with bureaucracy and regulation," he says.

Hugh Morgan Williams, the chairman of Canford Audio, the Tyne and Wear-based manufacturer of professional audio equipment, says he would welcome a civil servant – but would want a "matchmaking service" to operate.

"I'd like someone involved in industry or economic planning – not the Health Service or the Highland Development Board," he says.

Most important to the company, with its annual turnover of £8m and staff of 85, would be the chance to show the man from Whitehall the "civil service-related problems" it is currently dealing with – filing Intrastat returns for the Central Statistical Office's trade figures; and interpreting standards to comply with the EC's Byzantine Electro-magnetic Compatibility Directive.

It seems clear that industry, for its many reasons, is keen for the Whitehall secondments to take root.

The Treasury's personnel department will be working overtime on a number of complex aspects: negotiating with staff and companies about who should go where and for how long; ensuring that departmental cover is adequate; but also more delicate questions of civil service confidentiality.

Collective memory still rankles about the Treasury economist who left in the 1980s to become a gilts economist at a merchant bank, having been privy to key information about how the government calculated the public-sector borrowing requirement.

So the set of rules about releasing sensitive Treasury staff – which dictates that a certain amount of time has to elapse before the officer leaves to do comparable work outside – is likely to apply to secondments, too. Companies keen to bend the right Whitehall ear are not likely to get it on their books.

Carol Cooper offers advice and remedies to help tackle the symptoms of jet lag

Plane sailing for the business traveller

HEALTH CHECK

FEW air travellers are lucky enough to escape jet lag. Its familiar symptoms include fatigue, disorientation, drowsiness, difficulty concentrating, headache, indigestion and loss of appetite. A variety of sometimes unusual remedies have been used for the condition, but you do not need to go in for aromatherapy or drinking your own urine to combat its effects.

Fairly obviously, jet lag is caused by a mismatch between the external time and the circadian rhythm of your body clock.

The clock is regulated by hormones: by day, high levels of adrenalin, cortisol and other hormones are produced. By night, melatonin is secreted by the pineal, a small gland at the base of the brain, which Descartes took to be the seat of the soul. In studies, melatonin capsules, taken at times when the hormone "should be" naturally released, have been shown to reduce jet lag. However, more work is needed, and the treatment is not yet available for general use.

Logic tells us that environmental cues such as light, meals and social rituals have an important effect on circadian rhythms, and recently physiologists have confirmed that this is so, although they prefer to use the term *zeitgebers* (time givers) for these environmental factors.

Left to its own devices without any *zeitgebers*, the human body actually prefers a daily period of 25 hours. This has practical implications. It is easier to shift the body clock backward rather than forward, and jet lag is usually worse when travelling eastward. If you are off to the Antipodes, try gradually delaying, instead of advancing, your activities by 12 hours.

For recovery from travel, one should ideally allow a day for each time zone crossed, but business travellers rarely have that kind of time. Fortunately simple measures help. On the aircraft adjust your watch to the new time and take plenty of rest, especially on east-bound flights – symptoms of jet lag are exacerbated by sleep loss. If you have any short-acting sleeping tablets, this could be a good time to take one.

Otherwise consider travel sickness pills, which usually have a sedative effect and can be chosen according to the length of the journey. Kwells and Joy-Rides work for four hours, while Dramamine and Stugeron last eight.

Alcohol dehydrates, so during the flight avoid the free champagne and try to average at least one soft drink an hour.

Constipation may make abdominal symptoms worse; it is worth getting enough fibre.

Try to schedule meetings for the morning (local time) when in the US and for the evening (local time) when in Japan

Once at your destination, *zeitgebers* become more important.

The minute he disembarked, one executive from the US was dragged by his hosts to Battersea Park fun fair. He described it as horrible at the time, but later reported that he was less affected by jet lag than on previous trips.

Bright light is the most important time-giver of all.

Ordinary, indoor lighting can work, but strong, outdoor light is better and may explain why those who spend more time outside adapt more quickly to changes in time. The body clock can be advanced by bright light between 5am and 11am, and delayed by light between 9pm and 3am. Exercise plays a part, too, so if possible take a brisk walk outdoors in the sunshine first thing in the morning. Bioclok is an electronic device to help synchronise activities with time changes. It costs around £49.95 from Innovations or from Medical Technology International (Tel 031 220 4568).

If you cannot adjust to local time, plan carefully. Try to schedule meetings for the morning (local time) when flying to the US and for the late afternoon or evening (local time) when in Japan. An important presentation may work as a *zeitgeber*, but can be a business disaster.

There are other complications of air travel. Cabin pressure is only about the same as pressure 6,000 feet above sea-level. The resulting slight lack of oxygen can pose problems for passengers with heart disease, anaemia and severe asthma. For most travellers, however, the only adverse effects are on the sinuses and the middle ear. Ear ache or facial pain can last for days and could ruin a trip. If you have had a recent cold, ear infection, or sinus trouble, sucking a sweet during ascent and descent helps keep Eustachian tubes patent. Those who have not packed sweets should indulge in yawning.

Blood flow in the legs can get dangerously sluggish on long flights, with thrombosis as the occasional result. Even in Club Class it is worth walking around from time to time, keeping the feet moving and avoiding tight socks and crossed legs.

Recent studies show that in-flight entertainment headsets can act as a breeding ground for bacteria. It seems to be up to individual airlines to decide whether to discard, sterilise or re-use headsets, and while no harm has been known to come from headphones, this could be just a matter of time.

The effect of airport trolleys is in less doubt. First reported in the British Medical Journal, airport assault syndrome is damage to the Achilles tendon from the use of luggage trolleys as battering rams. Various tendon injuries have been described, the exact disability depending on the design of the trolley and the ferocity with which the other passenger approaches with his suitcase – or possibly with yours.

The author is a London general practitioner.

PEOPLE

Morrison makes tracks northward

The team which will operate ScotRail as a shadow franchise in the structure of British Rail due to come into force from next April has gained a strong addition with the appointment of Bill Morrison as its financial adviser. Morrison, 55, takes up his ScotRail appointment on October 1 when he retires as deputy UK senior partner of KPMG Peat Marwick.

Last month Chris Green, one of British Rail's high flyers, was named director designate of the ScotRail shadow franchise, one of the pilot projects leading to the franchising of selected rail services. Green said then that his management team would "definitely be bidding for the franchise when the director general of franchising puts it on offer" – within six months to a year from the beginning of shadow operations. Green joins ScotRail on April 1 next year when he gives up being managing director of InterCity, which is to be broken up.

Morrison's appointment is the first of a financial adviser to a shadow franchise. Born in Glasgow, he has been an accountant all his working life, starting with Thomson McLintock which merged with Peat Marwick in 1987. He has had a number of non-executive directorships and is to join the board of Scottish Amicable. He is chairman of the auditing practices board of the UK and Ireland, and is to be chairman of the executive committee of the joint disciplinary scheme of the UK accounting profession.

■ **Martin Purvis** has been appointed company secretary of BRAKE BROS.

■ **Hamish Paton**, former director of TSB Commercial Holdings, has been appointed chief executive of Wilcomatic and to the board of its parent EUROPEAN MOTOR HOLDINGS.

■ **Bryan Gray**, previously md of EVC Compounds, a joint venture between ICI and Enichem, has been appointed group commercial director of BAXI PARTNERSHIP.

■ **John Rigby** has been promoted to md of Viessmann, the UK subsidiary of VIESSMANN WERKE; he succeeds Henri Oestergaard.

■ **Gareth Machin**, formerly financial controller at Gooding Sanken, has been appointed finance director of Reten Acoustics, part of HALMA.

■ **Philip Bullus**, formerly md of Bourns Electronics, has been appointed European director of marketing at Recon Optical based in Camberley; Recon Optical is a subsidiary of BOURNS Inc.

Direct move for Lloyd

The Direct Marketing Association has a new chief executive, Colin Lloyd, 51.

Lloyd founded the highly successful direct marketing and sales promotion public company KLP group, which he then sold in 1990 to the Paris-based international advertising network RSCG for £34m. He stayed on for a while as chairman of RSCG UK but in 1991 turned to serious golfing and consultancy work.

That semi-retirement was not to his taste and he is delighted to return to running the DMA, which has a role both for the industry and the consumer.

Lloyd's predecessor, Richard Genochio, stayed the course for just nine months. Since he left at the start of this year, Juliet Williams has been running the DMA.

Lloyd says he has two core missions: "To ensure the DMA's educational programme operates on the highest levels, and to make sure that the consumer understands that companies belonging to the DMA really do adhere to our code of practice. We are a vigilant authority and really do clamp down on abuses."

Lloyd has more than 25 years' experience of direct marketing and sales promotion and wants to provide what he calls an "ambassadorial role which leads the industry forward".

Departures

Richard Jewson is stepping down as chairman and chief executive of Meyer International, the timber supplier which owns the Jewson chain of builders' merchants.

The move, announced yesterday, follows the board's decision to split the roles of chairman and chief executive in line with the Cadbury committee recommendations and to seek a non-executive chairman.

Jewson, 49, who became chairman in 1991, will continue to act as chairman until the end of December when he will leave the board in order to develop his career "in other areas".

Yesterday he explained that while he did not disagree with his board's decision to divide the two roles, he did not want to become a non-executive chairman, having worked "hands-on"; nor did he wish to go back to being chief executive, his earlier post. He said he has "some ideas" for what he might do next, but added that he did not want to rush to any decisions.

He has been succeeded as chief executive by John Dobby who joined the group in 1959, has served as a director since 1983 and was appointed managing director in October 1991.

■ Black Horse Financial Services, an arm of Lloyds Abbey Life, has announced the sudden resignation of Roger Bevan, its managing director.

Bevan left at the end of last week following what is believed to have been a difference in management approaches. He has been replaced by Christopher Wiscarson, currently group finance director at Lloyds Abbey Life.

The company refused to comment on the resignation and Bevan could not be contacted.

Answers in the wind

Bronwen Maddox looks at a new World Energy Council report on renewable energy

What will happen when the world's oil and gas supplies run out? The need to find answers to this question has been frequently postponed in recent decades as further resources of oil and gas have been discovered.

But reserves will finally start to run dry by the middle of the next century, according to the World Energy Council, a non-governmental organisation representing more than 100 countries. Coal and nuclear power are the most "readily available" alternatives, it concludes in its latest worldwide projections*, published this month.

That answer will leave many dissatisfied. Coal is a prime source of carbon dioxide, implicated in the threat of global warming, environmentalists and governments agreed at last year's Earth Summit in Rio de Janeiro. There is also mistrust of nuclear power among many people in industrialised countries, while governments are increasingly wary of the expense of building and then scrapping nuclear plants.

To solve the conundrum, parts of the "green" movement have rested hope on the potential of "renewable energy" – wind, solar, wave power and the like. But the issue has divided environmentalists – many object to the appearance of these new energy forms and their impact on wildlife.

How seriously should the potential of "renewables" be taken?

A new 320-page report by the World Energy Council sets out to answer that question. It marks the council's first systematic attempt to bring renewables into its models, and is the result of four years' work by a specially formed committee.

Although the report's conclusions are incorporated into the council's worldwide projections, the committee makes clear that its views do not always coincide with the council's. The committee chides the WEC for having given renewables "secondary status as minor contributors to the overall energy picture", and it adopts throughout a campaigning tone which will be unfamiliar to regular WEC readers.

The committee's main conclusion is that the proportion of world energy consumption supplied by renewables, currently 2 per cent, could double to 4 per cent by 2020. That would represent a trebling of the amount of energy currently supplied by renewables.

It says this projection is based on "current policies", but that it has assumed that fossil fuels will become more expensive, while the prices of renewables will fall. However, these assumptions are not spelled out.

The central claim of the report is that with special aid from governments and international initiatives, the proportion of energy use contributed by renewables could grow to 12 per cent. It calls this the "ecologically driven case".

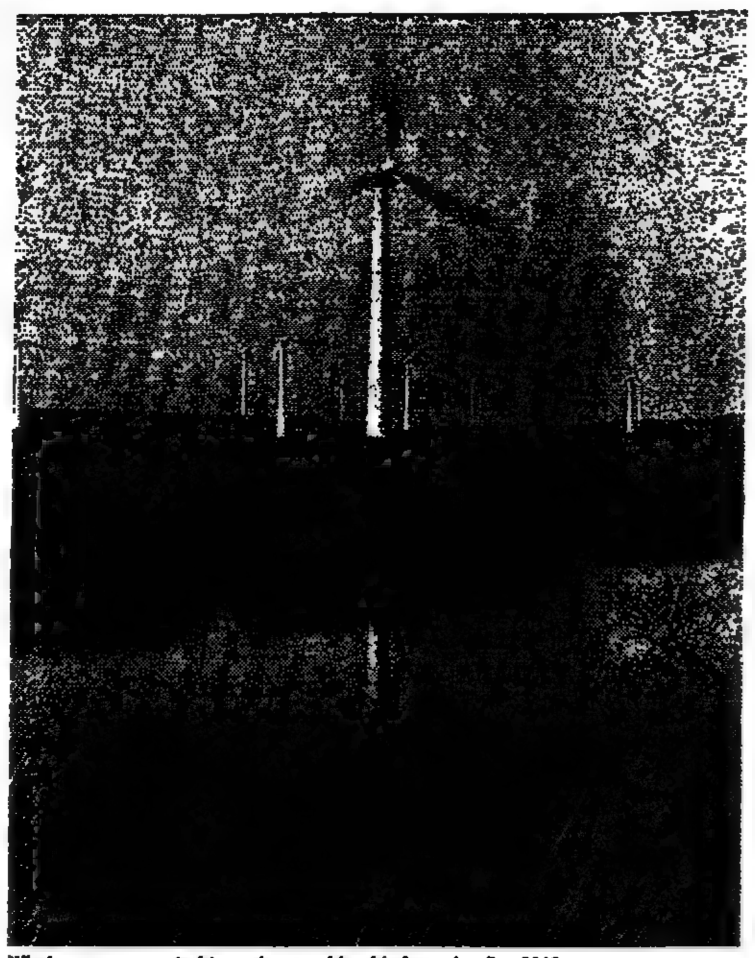
These projections include six types of energy: wind, solar, geothermal (making use of the earth's underground heat), oceans, small-scale water power and biomass – organic-based fuels made from sugar or waste.

However, one of the report's oddities is that it does not look at large hydro-electric projects, one of the most well-established forms of renewable energy, on the grounds that enough research is already available. Nor does it consider in detail the role of what it calls "traditional biomass" – wood burning – by far the greatest source of energy in many developing countries.

By concentrating only on the newer forms, it understates the role that renewable energy already has. The report does acknowledge that if hydro-electric power and biomass are taken into account, total renewable resources contribute about 18 per cent of world energy use today, or about 1,559m tonnes of oil-equivalent.

Even within its limited terms of reference, however, its projections contain surprises.

It estimates that some three-quarters of energy from "new renewables" comes from "modern biomass" – the burning of waste and sewage, and fuels made from sugar and other organic matter. The popularity of "modern biomass" in North and Latin America means that it will still contribute nearly half of the total in 2020, the report argues.



Wind power: expected to make considerable inroads after 2010

It clearly recognises that one of the biggest obstacles to renewables is their expense. The report estimates that its "ecologically driven" projections would need cumulative investment of $2,400bn (£1,600bn) in renewables between now and 2020. That compares with some $930bn capital investment in fossil-based systems to produce the same amount of energy. However, the report is correct that this handicap may diminish.

It is also right to warn of the danger of subsidising renewable energy: "Experience has shown that too rapid a growth, through massive tax and other incentives, encourages marginal companies and technologies into the market," which then fail to survive.

In many cases, it points out, the natural limitations of renewables limit their spread. For example, many areas which are suitable for wave power have other cheap energy – Australia has coal, New Zealand has hydro and geothermal potential and Britain has coal and nuclear energy.

It will also find increasing support within governments of industrialised countries for its view that the environmental costs of fossil fuels – principally their atmospheric emissions – should be reflected in energy policy. But the report leaves this question open – along with many others.

It expects solar and wind power to make considerable inroads after 2010, but does not spell out the technological improvements and falls in price that will bring that about. It includes few comparisons with the cost of nuclear power, one of renewables' chief rivals for government subsidies.

Nor does it offer much comment on how to treat the initial high-capital investment which renewables require when comparing them with fossil fuels, where initial investment is low, but continuing costs are high.

This report provides too little analysis of the future costs of renewables to show how those choices will be made.

**Renewable Energy Resources: Opportunities and Constraints 1990-2020; Energy for Tomorrow's World. World Energy Council, 34 St James's Street, London SW1A 1HD. £25 plus postage.*

Testing the waters

Leyla Boulton on the ecological management of Lake Baikal

Lake Baikal, the deepest fresh water lake in the world, is often portrayed as a symbol of how Soviet industrialisation policies rode rough-shod over Russia's environment.

Today, it provides a litmus test of whether international co-operation can help Russia tackle ecological problems as it attempts to build a democratic, market-based society.

The size of Belgium and still basically unspoilt, Lake Baikal has a unique ecosystem and contains 20 per cent of the world's reserves of fresh water. The lake's most visible problem is an eyesore: a vast cellulose and paper plant built in the 1960s which belches grey smoke through dozens of chimney stacks and dumps waste water into the lake.

But the old Communist system which could erect this plant in such a location also spared Lake Baikal from capitalist-style threats to the environment such as mass tourism and property development.

The damage caused by the plant is limited to a relatively small area. But with the switch to market principles, tourism and exploitation of timber and agriculture can only increase, generating new challenges of sustainable development.

As a result, the lake is threatened not so much by damage caused to it already, but by what could happen to it unless market forces now being unleashed in Russia are managed with care.

Although he desperately needs western funds and expertise to prevent further harm, molecular biologist Mikhail Grachev, head of the Limnological Institute which studies and makes policy recommendations on Lake Baikal, is worried by some of the offers of assistance made so far.

His latest concern is the World Bank, which last month sent a first mission to the area to identify possible projects.

"They are looking for alternative science," says Grachev. "They asked for project ideas and said they would choose which ones they want to fund. Maybe it is possible to behave this way somewhere else, where there are stone caves, but in Russia this is impossible.

"If they want to decide which projects are good and which are bad, they must decide together with established Russian institutions that have studied the lake for decades."

Grachev's complaints touch a raw nerve as the World Bank undergoes soul-searching on what its role should be in the countries it is supposed to assist. The debate is particularly relevant in the unchartered waters of Russia, which despite its lack of capitalist experience, has rich scientific potential, an active ecological movement and expertise on its own problems.

Potential for the abuse of aid and the tensions between the government in Moscow and the regions are two further reasons for the World Bank to ally its wealth and expertise with a reliable partner at local level.

"If they give money to someone, probably some people will buy computers, cars and go to America 20 times. They will get only noise in return," says Grachev, of the World Bank's search for "independent" Russian experts.

Baikal is threatened not so much by damage caused to it already, but by what could happen to it unless market forces now being unleashed in Russia are managed with care

Although funded by the state, his institute has accumulated unrivalled knowledge of the lake and has been at the forefront of efforts to protect it.

By making more judicious use of local experts, he says, the World Bank could make aid funds go further. Less money would be spent on consultants who fly in and out of the country on expensive flights. It would avoid the duplication of efforts which is plagueing most spheres of aid to Russia. It would also support local people, including Russian scientists who face severe cuts in funding by the state.

As an example of potential waste, Grachev said the World Bank had told him it had a $600,000 (£387,000) Japanese grant for a feasibility study on developing ecological tourism in the Lake Baikal area. Not only was this a vast sum compared with the annual budget of his institute, but Germany has already begun funding studies on the same subject.

Andrew Bond, a member of the World Bank mission, acknowledges that there is a "great deal" of information already available at local level. But, he says, "the transfer and collation of knowledge, and who the decision-makers are is not quite clear". He adds that the Russians need help in developing environmental management skills to prevent a recurrence of problems such as the cellulose and paper plant.

"Environmental management has been undervalued, not only by the general public but by many environmentalists. This is because it is much easier to latch on to a problem and feel comfortable with having solved that particular problem."

It is true that Grachev says one of his first priorities is for western experts to survey the paper plant's assets and come up with suggestions on how to convert it to alternative uses or close it down altogether. But apart from money to restructure the plant, Grachev acknowledges the need for intellectual help, particularly in the field of law and economics.

Legislation currently being piloted through parliament to protect Lake Baikal is a pre-condition for the lake to be declared a world heritage site by Unesco, the United Nations Educational, Scientific and Cultural Organisation. The law establishes a core zone where no construction can take place, and requires local factories to present ecological passports.

Grachev is placing his hopes on the present generation of Russian law students and says they would benefit from exposure to western practice of environmental law.

In a modest example of successful co-operation so far, Helmut Lieth, a retired professor of ecology at Osnabruck University, has brought groups of German ecology students to Lake Baikal to pass their experience on to Russian students. Thanks to his efforts, the local city of Irkutsk is being twinned with Leipzig in eastern Germany to help it attract sponsors and contacts to help its ecological and industrial problems.

Grachev is confident that even the World Bank will come to see things his way. "I am patient. They will come back with new ideas."

Television/**Christopher Dunkley**

The documentary is not dead

Television's autumn season is bringing with it a veritable catalogue of new factual series which, at first glance, may seem to give the lie to those of us who predicted that Britain's new rules for television would produce a fiercer ratings war than ever and a slide in quality. Over a period of some years it has been argued in this column that the disastrous Tory legislation on commercial broadcasting combined with an attitude of impatience bordering on contempt towards the BBC, and the demand that all broadcasting become more market oriented, would rob us of some, or even all, of the small percentage of programmes which could be described as truly outstanding.

Such misgivings have been ridiculed by some within the industry who felt that new brooms were needed to rid British broadcasting of what they saw as its cosiness and snootiness and that more attention should be paid to the ratings and less to the preferences of the chairman's wife. The effects of such attitudes upon drama within commercial television are already becoming clear. Not only does it now seem improbable that ITV will ever again produce series such as *Brideshead Revisited* and *Jewel In The Crown* but, more ominously, those running ITV no longer aspire to such heights nor see any point in doing so. The pinnacle of their ambition today is represented by *Frank Stubbs Promotes*, a good, workmanlike series, pleasant enough to watch but quickly forgettable – the Saumur of television drama. It seems that no one in ITV is interested any longer in producing Champagne, let alone Krug. Such ideas would be seen today as laughably elitist.

When I presented the final edition of *This Week* and wondered whether we would see its like again, scoffing and head patting was the reaction from some of ITV's new mandarins. What made me think, they asked, that the programme replacing *This Week* would not be as good or even better? Why did I not wait and see? On Thursday, having waited, we saw the first edition of *The Big Story* which, we are assured, will be giving "in-depth insight" into "the week's top story". And what did ITV consider last week's top story: the Arab/Israeli peace plan? Bosnia? No. The most important question of ITV's week was: Is Wacko Jacko a pervert, the very question that was obsessing the tabloid newspapers. During the programme the presenter talked on the phone to Michael Jackson's sister's agent. "I mean the problem, to be serious on this Dennis, is that we don't pay for interviews", he said. "We're a current affairs programme looking at this in a kind of serious fashion – " at which point the producer, who clearly had a sense of humour, inserted the noise of a camera shutter and banged up a picture of Jackson's sister from her *Playboy* photo spread.

Viewpoint, which has brought us such memorable documentaries as Adrian Cowell's *Decade Of Destruction* from the Amazon jungle and Antony Thomas's recent excellent expose of the "Satanic abuse" industry, is about to follow *This Week* down the ITV drain, as is *First Tuesday*. In their place ITV's new central programme commissioners will give us *The ITV Documentary*, with programmes from a wide variety of sources. It is hard to see how this ad hoc system can possibly replace the protective enclave which Central Television (and ATV before it) provided for some of Britain's best documentary makers who received support, sometimes for years, as they brought *Viewpoint* programmes to fruition. However, again we are told not to be so pessimistic, to "wait and see". We cannot do anything else, of course.

What we are already seeing in the autumn season is that a lot of the more interesting material is coming from the BBC. *Inside Story* on BBC1 began a new series with a programme about prostitutes and pimps which looked at first as though it might be in pretty much the same tabloid category as the Wacko Jacko piece. But it turned out to be a grim revelation of the desperate circumstances of many young (and no doubt not so young) girls who are forced by blackmail, violence and, ironically, the need for a show of affection, to work the streets and then hand over virtually all the money they earn to some parasitical man.

Another BBC1 production, *The Skipper*, offers a six-part series on a subject which lies at the heart of the British documentary tradition: fishermen. Since we had such purist works as *Deckie Learner* and *A Life Apart* from Mike Grigsby in the 1960s, and the first British documentary, *Drifters*, from John Grierson, no less, in 1929 (a silent, and the only documentary that the father of the genre ever actually directed on his own) it takes a certain amount of chutzpa to launch into the subject again now. However, producer Jeremy Mills has found one of those television naturals, not entirely unlike steeplejack Fred Dibnah, in Cornish skipper Roger Nowell. He admits to lying to his own brother if he finds a good shoal, and it seems clear that the billing does not refer to him as a "buccaneer" for nothing. This looks like being not just an informative series, but entertaining.

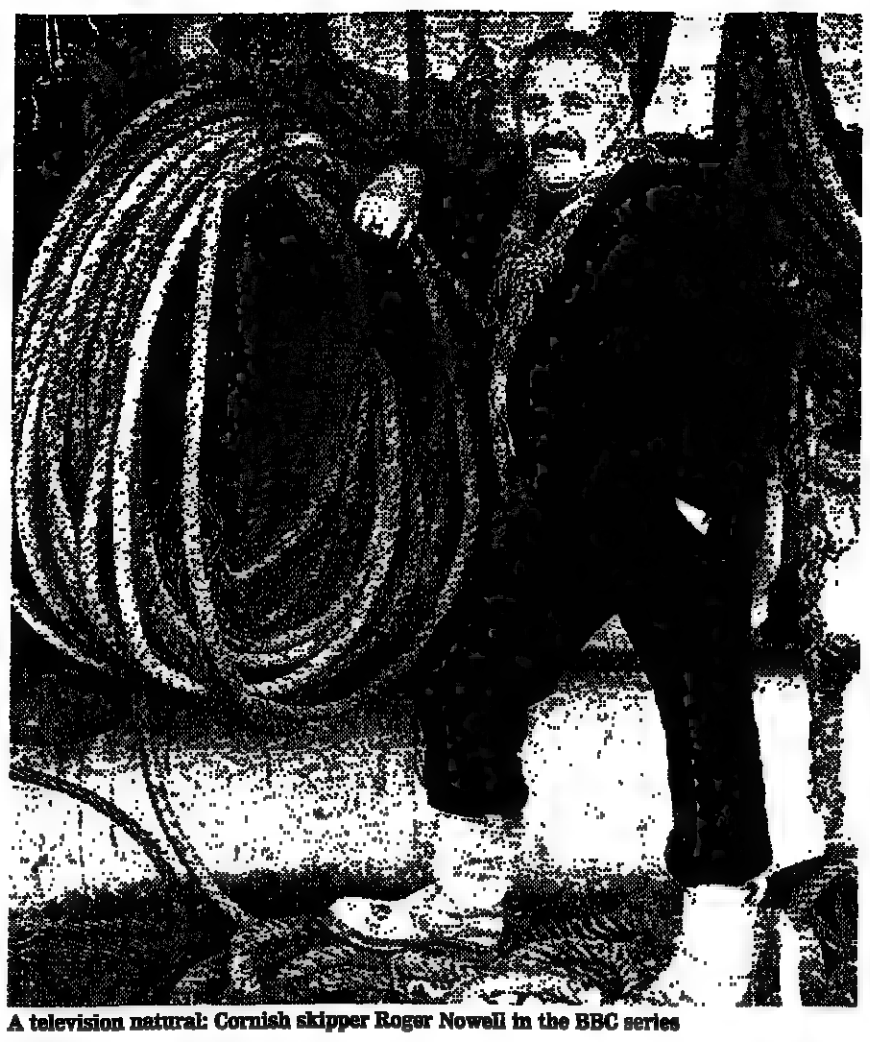
Unfortunately the same can probably be said about *Kenneth Baker's Memoirs* which began on BBC2 on Saturday. It is all very well to have Kenneth Clarke, Chris Patten, Malcolm Rifkind and other old political chums (and occasionally foes, as with Ken Livingstone) reminiscing about the days when headmistress Maggie terrorised the corridors of power. However, we might have hoped for something a little more informative than a lot of sniggering and "Do you remember how she used to..." exchanges.

The two most interesting new series are both concerned with movies and movie makers: BBC2's *Hollywood UK* and Channel 4's *D.W. Griffith: Father Of Film*. In both cases the fascination lies less in the process of film making and more in the social implications, though in the case of Griffith one might wish otherwise. Since it really is true, for once, to say that this was a man whose work was seminally important, it would be interesting to have heard from Kevin Brownlow and David Gill (the world's greatest champions of silent cinema, here working as documentary producers) much more about precisely how Griffith achieved some of his technical effects; after all, he was virtually inventing them. Instead too much time has been devoted to his racism, which nobody should deny, but which is about as important as, say, the slavery practised by the "democrats" of ancient Greece.

Birth Of A Nation is, unmistakeably, a racist movie, but does anybody suppose for one moment that if Channel 4 was to screen a 1915 film about tribal conflict in Africa or murderous feuding between Indian castes that it would feel it necessary to wheel out a polytechnic lecturer at the start to tell us what to think? That is what it did last week before their screening of the superb Brownlow-Gill restored *Birth Of A Nation*.

As for *Hollywood UK*, its exploration of the moods and mores of the swinging sixties is peculiarly compelling, partly because it all feels such an amazingly long time ago. There are, of course, the films themselves – when we talk about the English cinema boom of that period it is easy to forget that it included not just *Room At The Top* and *A Taste Of Honey* but also the Bond movies and works such as *The Charge Off The Light Brigade*. This series, produced by Charles Chabot and Rosemary Wilton, goes into all that, but, even more tellingly, it finds out from Richard Harris and Julie Christie, Lindsay Anderson and Frederic Raphael, how they felt at the time and how they feel now about that extraordinary outburst of creativity.

It is an excellent series, and no doubt there will be others this season. Perhaps it is silly to object if it begins to appear that the BBC really might one day dominate the high ground of broadcasting, as it has so often asserted that it should, while ITV sticks more and more firmly to the dictates of the market place. The trouble is, surely, that so far there has been only the very beginnings of a much greater shift: we ain't seen nuthin yet.



A television natural: Cornish skipper Roger Nowell in the BBC series

'She Loves Me' tunes in again on Broadway

Karen Fricker admires Scott Ellis's new production at the Brooks Atkinson Theatre

Ask a musical theatre buff what his favourite show is and the odds are he will murmur mistily *She Loves Me*. When it first opened on Broadway in 1963, that musical, with a book by Joe Masteroff and music and lyrics by the *Fiddler on the Roof* team of Jerry Bock and Sheldon Harnick, won critical acclaim and boosted the emerging careers of its producer/director, Harold Prince, and its star, Barbara Cook. *She Loves Me* has gone on to countless regional, stock and college productions – but why has it taken so long to return to Broadway, where it has just opened at the Brooks Atkinson Theatre in a beguiling production directed by Scott Ellis, first seen at the smaller Roundabout Theatre in June.

For the answer one only need look to *She Loves Me's* Broadway neighbours, the glitz-laden mega-musicals that are making it big of late. A little musical about the romantic entanglements of perfume shop clerks in 1930's Hungary seems wholly out of style. It has taken the enterprising Ellis to show Broadway what it has been missing, in a production filled with all the humanity, integrity, and charm those mega-musicals lack.

Masteroff adapted *She Loves Me* from a play by Miklos Laszlo, which was also made into a film, *The Shop around the Corner* with James Stewart and Margaret Sullivan. It is an unabashedly simple story, as delicate as the psyches of its sensitive heroes, the hardworking parfumerie manager Georg Nowack (Boyd Gaines) and the assiduous new shopgirl Amalia Balash (Judy Kuhn, who played the role at the Roundabout, has been replaced by by Diane Fratantoni), who clash on the job by day and send each other love letters by night, realising only as the story unfolds that each is the other's lonely hearts pen pal.

None of Bock and Harnick's songs, save Amalia's second-act falling-in-love number "Vanilla Ice Cream," has become a standard; it is the way they are woven into what is happening on stage that makes the show musically remarkable. There are a few big musical numbers (staged with rousing cleverness by Rob Marshall), but, more often, song flows into scene or scene into song with an almost uncanny naturalness. One need only scan the list of song titles – "Good Morning, Good Day," "Sounds While Selling," "Where's My Shoe?" – to know that this is a world in which even life's little banalities prompt a song.

Ellis directs with a rare confidence and intelligence, with finely observed relationships between the shop's employees. His only gaffe – and it is a serious one – is that he neglects to paint the broader picture in which this lovely cameo is set. Times were tough in 1930s Budapest, and jobs hard to come by, but we are given little clue of the greyness that lurks outside the golden glow of Maraczek's Parfumerie. Without this context the musical's darker events – betrayals, selfishness, and even a suicide attempt – make little sense.

Ellis' wisest step was his most basic: excellent casting. None of his company are stars, yet, but all are good actors as well as singers. Gaines is just the right blend of dorky and dashing as Georg, and Kuhn made a loveably gawky Amalia, although her final costume, a dowdy purple number, does overstate the point a bit; otherwise the costumes by David Charles and David Greenwood are well-done. Sally Mayes' chirpy-tough portrait of Ilona, Amalia's not-so-dumb-blond co-worker, is a delight. Howard McGillin is given less to work with as the one-sided rogue Kodaly, but finesses the job with mustache-twirling glee, and Lee Wilkof makes an odd character – the plodding salesman Sipos – oddly likable. Only Louis Zorich as shop owner Maraczek and Brad Kane as the messenger boy Arpad fall prey to caricature.

The timing is just right for the re-introduction of *She Loves Me* to Broadway. Arriving just after the rabble of the Tony Awards – it is officially the first production of the 1993-94 season – it seems at once answer and antidote to its techno-driven neighbours, and its freshness is going down a treat.

Concert/**Paul Driver**

The Lowbury Piano Trio

This was the first time I have visited the Wigmore Hall since it has been so delightfully renovated and expanded and I was gratified to note the acoustical advantage that the hall still wonderfully lends to chamber musicians. The Haydn E major trio (H. 28) with which the Lowburys opened their programme came across with a clarity that was forceful without being harmfully analytical.

This bold and concise three-movement late work of Haydn's went off bustlingly well. The classical preamble was apt for the new (to London) trio for the same instruments (piano, violin and cello) by Robert Simpson which followed. Completed in 1989, this ambitious and lengthy (36 minutes), work in four continuous movements is absolutely characteristic of its composer in its determined attempt to re-inhabit classical form and re-invent classical rhetoric. Nobody alive today pursues such aims with such gusto; and one could not but be struck by the note-working skill and unmisgiving neo-classical assurance with which Simpson marshalls his motifs, weaves his sinewy counterpoints, and pushes through his formal stereotype to the bitter end.

The textures are predominantly spare, and the opening *leggerio* exchanges suggested a genially conversational tone or perhaps a musical version of thinking out loud. Gradually, though, one began to suspect that the composer was really striving after a Shostakovich-like searing bleakness of utterance but adherence to classical propriety held him back. Though the *Vivace* second movement had appealing bursts of chordal punchiness from the pianist (Elizabeth Burley), and the *Adagio semplice* some searchingly fraught descants for the first violin (Pauline Lowbury), the *Allegro* finale was decidedly diffuse, and the overall impression was colourless.

Simpson's harmonic idiom is that of a no-man's land between tonality and atonality; and in his devotion to classical form he has quite missed out on content. Ravel's great A minor trio, with an account of which (alas, all too barnstorming) the concert ended, was a reminder of the primacy of content. If the Simpson work seemed to have drained music to a hospital pallor, here all the art-form's colour and life-blood came surging back.

Theatre/**Alastair Macaulay**

The Recruiting Officer

The Royal Lyceum Theatre in Edinburgh has a high profile during the three weeks of the city's festival – and then suddenly shrinks back to merely local significance. A pity, for its old auditorium is handsome, its stage well-equipped and its foyer space (expanded two years ago) attractive.

The theatre's reputation, however, may now be starting to rise. Its recently appointed artistic director, Kenny Ireland, has just launched the 1993-94 season with a deft, traditional, funny staging of a tricky comedy, Farquhar's *The Recruiting Officer*. The rest of the 1993-94 season will include Maureen Lipman directing *The Sunshine Boys*, Brian Cox acting in *The Master Builder*, Bill Paterson in Bulgakov's *A Mongrel's Heart*, and Ireland's own stagings of *A Midsummer Night's Dream* and *Oedipus Tyrannos*.

Ireland keeps *A Recruiting Officer* light and vivid. I came to it straight from watching the movie of *Much Ado*, and could not help noting how much smaller Farquhar's comic world is than Shakespeare's, how much narrower his tone. The trick of Restoration comedy is to make its tight little world real and brilliant. Ireland gives his actors enough period sense to make it real (real in ways that Branagh's pretty never-never-land *Much Ado* fails to achieve), and he differentiates each character sharply while giving them all vigour.

Brilliance is only fully present in one impersonation – Bob Barrett's playing of Captain Brazen. Brazen, a secondary role, is all irrepressible presumption and namedropping cocksureness; and Barrett bursts onto the stage with such fruity big-voiced glee, such silly round-faced panache, that he almost unbalances the play. But not quite. As Silvia, Jules Melvin brings off the feat of acting *en travesti* with convincing style; and Rebecca Charles, playing Melinda as a pettish spoilt parlour pug, (surely too Dickensian a type for Farquhar?), grows endearingly vulnerable as the play proceeds. As Plume, Phelim Drew has energy, manner, but not enough refinement; as Worthy, Patrick Toomey has refinement but not enough energy.

The strength of the production owes much to Russell Craig's designs, which use the revolving stage to create several different interior and exterior scenes economically but surely; and a dozen extras swell the crowd scenes to fine effect. Ireland allows his cast to misinterpret some small points but at all points the play keeps up brisk pace, colourful characterisation, and high spirits.

Jazz/**Garry Booth**

The James Moody Quartet

Something has happened to saxophonist James Moody, in residence at Ronnie Scott's club all this week. Late in a long career the 68-year-old American seems to have found a more acerbic edge to his sound and a less predictable technique with both alto and tenor.

The quartet is the regular one: the sometimes detached sounding Marc Copland at the piano; the appropriately named Todd Coolman on upright bass and Billy Drummond in the traps. Out front Moody, hamming up the vocals in a quavering falsetto, is clearly relishing the limelight. Having spent the summer on the road with Lionel Hampton as one of his Golden Men (alongside trumpeter Clark Terry and trombonist Al Grey), he is digging hard now into the quartet's book of bluesy standards and pianist Copland's originals.

A tough reading of "Birk's Works", a blast from the leader's past with Dizzy Gillespie, follows a twisting blues original "Mutt and Jeff", solos taken by rote. The ballad "I Can't Get Started" begins with some arty alto squealing, where Moody seems to be only half joking about his new found interest in harmolodics, eventually easing into more familiar territory. Pianist Copland, an apparently cerebral character, picks up Moody's line tentatively, the dislocated rhythm of the left hand driving a careful right. Like Coolman, who might shorten the length of his quiet solos, Copland struggles to be heard at times.

Moody is the focus of course and the comical, shouted stream of banter with the audience, probably picked up during his sojourn with Las Vegas showbands in the 1970s, silences the rowdiest table.

INTERNATIONAL ARTS GUIDE

■ BONN

Oper Sat and Mon: Valery Panov's production of Prokofiev's ballet Romeo and Juliet. Sun: Marcello Panni conducts first night of Guy Montavon's new production of Lortzing's Der Wildschütz, with a cast including Eva Lind and Thomas Mohr (0228-773667)

■ COLOGNE

● The new season of the Cologne Opera opens on Sun with a new production of Yevgeny Onegin staged by Willy Decker and conducted by James Conlon, with a cast led by Adrianne Pieczonka, Boje Skovhus, Kurt Moll and Helga Dernesch (repeated Sep 22, 25, 29). Cosi fan tutte returns to the repertory on Sep 24 and Monteverdi's Poppea on Sep 30 (0221-221 8400)

● Alfred Brendel plays Beethoven piano sonatas on Fri at the Philharmonie. Sat evening and Sun afternoon: Ensemble InterContemporain plays works by Tristan Murail, Elliott Carter, Ravel and Boulez. Sun evening: Roger Norrington conducts Chamber Orchestra of Europe in symphonies by Brahms and Schubert. Mon: Thomas Quasthoff song recital. Sep 30: Riccardo Muti conducts La Scala Orchestra (0221-2801)

● The Threepenny Opera, staged by Günter Krämer, has opened an extended run at Halle Kalk, the new subsidiary stage of the Cologne Schauspielhaus at Neuerburgstrasse (0221-221 8400)

■ COPENHAGEN

Royal Theatre Tonight: Die Zauberflöte. Tomorrow and next Tues: Drot og Marsk, Danish historical opera. Fri and Mon: John Neumeier's production of Prokofiev's ballet Romeo and Juliet. Sat: Ariadne auf Naxos (tel 3314 1002 fax 3312 3692)

Tivoli Tonight: semi-staged performance of Nielsen's opera Maskarade. Sat: Katia Ricciarelli sings opera arias. Sun: Ole Schmidt conducts Tivoli Symphony Orchestra in final concert of season (3315 1012)

■ DRESDEN

Semperoper Tonight: Zemlinsky/Dallapiccola double bill. Tomorrow: Don Giovanni. Fri: Gluck's Orfeo. Sat: Arabella. Sun: Rakhmaninov opera and ballet evening. Next Wed: Lucia Popp song recital (0351-484 2731)

■ DUSSELDORF

Deutsche Oper am Rhein Tonight and tomorrow: Kabuki Theatre guest performances. Fri: Rigoletto. Sat: Zar und Zimmermann. Sun: Meistersinger (0211-8908 211). Duisburg Theatre has Heinz Spoerli's ballet Giselle on Sat (0203-3009 100)

Schauspielhaus A new production of Shakespeare's Romeo and Juliet, directed by Karin Beier, has just opened and runs in repertory for the rest of the month. The next production is Eugene O'Neill's Mourning Becomes Electra, opening Sep 25 (tickets 0211-369911 information 0211-162200)

■ FRANKFURT

Alte Oper Tonight: Daniel Nazareth conducts MDR Symphony Orchestra in works by Gubaydulina, Schumann and Mahler. Tonight (Hindemith Saal): Ivan Sokolov piano recital. Tomorrow: Kronos Quartet and friends. Fri: Rakhmaninov programme with Glinka Capella of St Petersburg. Sat: Gianluigi Gelmetti conducts Stuttgart Radio Symphony Orchestra in works by Henze and Stravinsky. Sun: Monteverdi's Vespers. Mon: Michael Gielen conducts orchestral works by George Lopez. Tues: Ensemble Modern plays Hans Zender. Next Wed: Roger Norrington conducts Chamber Orchestra of Europe (069-1340 400)

■ LEIPZIG

Gewandhaus Tonight: Sviatoslav Richter plays piano concertos by Poulenc and Gershwin with Gewandhaus Orchestra conducted by Kurt Masur. Tomorrow and Fri: Masur conducts works by Mendelssohn, Barber and Musorgsky, with cello soloist Yo Yo Ma. Sun: Gewandhaus Orchestra chamber music evening. Next Tues: Daniel Nazareth conducts MDR Symphony Orchestra in Ravel and Richard Strauss, with violin soloist Augustin Dumay (0341-7132 280)

Opernhaus Tomorrow: Uwe Scholz's ballet The Creation, music by Haydn. Fri: Il trovatore. Sat: Scholz's version of Coppelia. Sun: Lothar Zagrosek conducts Ruth Berghaus' production of Jörg Herchet's new opera Nachtwache (291036)

■ MUNICH

● The new season at the Staatsoper, the first to be organised by Peter Jonas, opens on Sat with La traviata, a revival of Günter Krämer's staging first seen at the July opera festival. Julia Varady sings Violetta. The repertory over the next two weeks includes Lady Macbeth of Mtsensk with Hildegard Behrens, Don Giovanni, Tosca and the Cranko production of Prokofiev's ballet Romeo and Juliet. Cecilia Bartoli gives a song recital on Sep 23 (089-221316)

● Repertory at Gärtnerplatztheater includes Entführung, Fiddler on the Roof and Street Scene (089-201 6767)

● Next Tues at Gasteig, Roger Norrington conducts Chamber Orchestra of Europe in works by Schumann, Schubert and Brahms (089-4809 8614)

● The Munich Philharmonic Orchestra and its chief conductor, Sergiu Celibidache, leave on September 28 for a month-long tour of South America and Spain, with concerts at Buenos Aires, Sao Paolo, Rio de Janiero, Santiago de Compostela, Madrid, Seville and Valencia.

■ OSLO

Konserthus Tomorrow, Fri: Paavo Berglund conducts Oslo Philharmonic Orchestra and Chorus in Sibelius' Kullervo Symphony. Next week's concerts are conducted by Evgeny Svetlanov (2283 3200)

■ STOCKHOLM

Royal Opera Tonight: Cav and Pag. Tomorrow and Fri: Beryl Grey's production of Sleeping Beauty. Sat and Mon: Tosca. Next Tues: Siegfied Köhler conducts Folke Abenius' new production of Elektra (tickets 08-248240 information 08-203515)

Berwaldhallen Fri evening, Sat afternoon: Evgeny Svetlanov conducts Swedish Radio Symphony Orchestra in Mozart's Jupiter Symphony and Strauss' Alpine Symphony (08-784 1800)

■ STUTTGART

● The European Music Festival, organised by the International Bach Academy, runs at the Liederhalle until Sun, with a main event every evening supplemented by a late-afternoon lecture-concert and a late-evening recital. Tonight: Alfred Brendel plays Beethoven piano sonatas. Tomorrow: Frieder Bernius conducts Stuttgart Chamber Choir in works by Mendelssohn, Reger and Brahms. Fri: Carlos Kalmar conducts Stuttgart Philharmonic Orchestra in Schumann's Second Symphony and Mahler's Das Lied von der Erde, with Jard van Nes and Keith Lewis. Fri late evening: Tatiana Nikolaeva plays Shostakovich. Sat afternoon: Yvonne Loriod plays Messiaen. Sun: Helmuth Rilling conducts Debussy's Le Martyre de Saint-Sébastien (0711-295551)

● This month's repertory at the Staatstheater is Parsifal, Die Zauberflöte and La boheme. The first new production of the season is the world premiere on Oct 3 of Hans Zender's second opera Don Quijote de la Mancha (0711-221795)

● Ludwigsburg Festival: the Stuttgart Ballet presents the last of its performances of Die Zauberflöte tonight, in Maurice Béjart's choreography of the opera. Wolfgang Gönnenwein conducts Haydn's The Creation on Fri, with soloists Ruth Ziesak, Hans Peter Blochwitz and Cornelius Hauptmann. Edita Gruberova gives a song recital on Sun, followed next Mon by Renato Bruson. Next Tues: John Eliot Gardiner conducts North German Radio Symphony Orchestra. Next Wed: Roger Norrington conducts Chamber Orchestra of Europe (07141-949610)

■ STRASBOURG

The Opéra du Rhin opens the 1993-4 season next Tues at Théâtre Municipal with a new production of Wolfgang Rihm's Jakob Lenz, repeated Sep 23, 26 and 28. The season also includes Rigoletto, Philippe Boesmans' new opera Reigen, Schumann's Manfred, The Merry Widow, Iphigénie en Tauride, Die Fledermaus, Roberto Devereux and The Makropoulos Case (8875 4823)

ARTS GUIDE

Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guide.

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Thursday Sky News: Financial Times Reports 2030; 0130
Friday Super Channel: European Business Today 0730; 2230
Sky News: Financial Times Reports 0530
Saturday Super Channel: Financial Times Reports 0930
Sky News: West of Moscow 1130; 2230
Sunday Super Channel: West of Moscow 1830
Super Channel: Financial Times Reports 1900
Sky News: West of Moscow 0230; 0530
Sky News: Financial Times Reports 1330; 2030

Edward Mortimer

It's better late...

Palestinian rejectionism was usually justified, but always wrong

One of the most powerful myths of antiquity is that of the Cumaean Sibyl. She offered her nine books of prophecies to Tarquin the Proud, the last (legendary) king of Rome. When he refused them, she burned three and offered him the remaining six at the same price. Again he refused, so she burned three more and offered him the remaining three still at the same price. This time he bought them.

Why did Tarquin refuse the first and second bargains offered? Obviously because the price asked was outrageous. Why did he accept the third one, which was clearly even more outrageous? Because he realised that next time there would be no books left to buy.

The Palestinians have been made a series of outrageous offers since 1917, when the British government first took it upon itself to designate their homeland as "a national home for the Jewish people". Each offer has been, from their point of view, more outrageous than the last.

In 1923, for instance, they boycotted elections for a legislative council, because Jewish delegates (then representing a small minority of the population) were to have the casting vote whenever British government appointees disagreed with the elected Arab members. It made sense to reject this, since it would enable the UK to push through its "national home" policy, disregarding the wishes of the majority. But, with hindsight, if they had accepted, the Arabs would surely have been better placed to resist or at least limit that policy.

A much more famous rejection was that of the 1947 UN partition resolution, dividing Palestine into a Jewish and an Arab state, with Jerusalem as a *corpus separatum* under UN control. The Arabs looked at the map and found that even within the proposed Jewish state they would be (narrowly) the majority. Like today's Bosnians, they saw no reason why "the international community" should impose on them a partition of their country on ethnic lines. They fought to prevent it, arguing for a single democratic state in which all citizens would be equal and all religions respected.

Like today's Bosnians, they were defeated, and many were driven from their homes, taking refuge in neighbouring countries or in the two bits of Palestine that remained under Arab rule: the West Bank and the Gaza Strip. Those two bits taken together were much smaller than the Arab state the UN had proposed; and when the fighting stopped, in 1949, the Palestinians found they no longer had the option of returning to their homes, even to live under Israeli rule.

Many Palestinians think Arafat is a traitor, to accept so little after struggling so long

In 1965 President Habib Bourguiba of Tunisia, speaking in a Palestinian refugee camp in Jericho, suggested that the time had come for the Arabs to accept the 1947 partition. Palestinians indignantly rejected such defeatism, knowing well that by then there was in any case no chance of Israel withdrawing voluntarily to the frontiers the UN had proposed. They stuck to the view that Israel was an illegitimate state, built on land stolen from them. The rest of the Arab world supported them, at least verbally, and the result was another war (in 1967) in which Israel overran the West Bank and Gaza as well as parts of Egypt and Syria.

Moshe Dayan, Israel's defence minister at the time, suggested to Palestinians in the West Bank and Gaza that they should set up their own state there. They rejected the idea, while in Khartoum the Arab leaders promulgated their three "no's": no peace, no recognition, no negotiation. Meanwhile Israel annexed east Jerusalem and began to plant settlements in the West Bank and Gaza.

By 1973, when the next Arab-Israeli war broke out, the main Arab states had accepted UN resolution 242, which they interpreted as meaning that Israel should be left in peace if it withdrew to the 1949 armistice lines. The Palestinians, now represented by the PLO, began to hint that, if their arms were twisted, they might after all accept the offer General Dayan had made in 1967. Said Hammami, then the PLO representative in London, was the most explicit about this: he advocated mutual recognition and peaceful co-existence between Israel and a Palestinian state.

But of course Dayan's offer was no longer on the table. At most, Israel was willing to hand over part of the territory to Jordan.

And then, in 1977, Menachem Begin came to power, pledged not to give up any part of "the Land of Israel". At Camp David in 1978 the presidents of Egypt and the US persuaded Begin, with great difficulty, to agree to an interim solution, giving the inhabitants of the West Bank and Gaza autonomy for five years and leaving the ultimate solution to be negotiated later. The Palestinians rejected this, pointing out (correctly) that it committed Israel neither to withdrawal nor to acceptance of a Palestinian state.

In 1993 Israel is offering to allow a "Palestinian entity", which in the first instance will control only Gaza and a small area around Jericho. The price is still the same: recognition of Israel, acceptance of its right to live in peace, cessation of all armed struggle or terrorism against it. But Yassir Arafat, like Tarquin, has decided to pay.

Many Palestinians think he is a fool or even a traitor, to accept so little after struggling so long. He may well suffer the fate of Said Hammami, murdered in 1978 by a Palestinian extremist in the pay of Saddam Hussein.

But he is surely right to realise, however belatedly, that mutual recognition and peaceful coexistence are a commodity worth paying for, even through the nose.

Local attraction of pacts Britannica

Liberal Democrats are gaining influence through alliances, say Kevin Brown and Roland Adburgham

Commander "Chipps" Selby Bennett bears a heavy burden. In the Dorset council seat of Lytchett tomorrow, it falls to him to strike the first blow in a putative Conservative fightback against the Liberal Democrat hordes sweeping southern England.

Chipps, a Conservative councillor for four years, will carry the tattered Tory flag in a by-election ordered by the High Court following an investigation into an unstamped ballot paper cast in the county council elections in May.

But as he marches towards the Liberal Democrat gunfire, Chipps sounds like a reluctant champion, mainly because the by-election campaign, which ought to be about local issues, has focused instead on complaints about the government.

In the wake of the Christchurch by-election in July, in which the Liberal Democrats overturned a Conservative majority of more than 23,000, it was never going to be easy. But Chipps has had his work cut out to fend off the anger of local people about national issues such as water charges and the extension of value added tax to heating fuel.

"When they protest, I say: 'Join the club, you are not nearly as fed up as I am,'" he says wearily. Describing himself as an "independent-minded chap", he adds: "It is not a very clever government."

Sentiments like that will be shouted from the rooftops of Torquay next week when the Liberal Democrats gather for their annual conference. After decades in the parliamentary wilderness, the party is inherently prone to over-optimism. But this year, the delegates will be able to celebrate the achievement of real power, albeit at a local level.

Almost unnoticed in Westminster, third-party candidates have been gaining ground in local elections for two decades. In 1978, the Liberal party held 800 council seats across the country. After gains in 12 of the last 15 years, its Liberal Democrat successor now holds 4,250.

The real breakthrough came in May's county council elections, when an anti-government landslide left the Conservative party in control of just one county – Buckinghamshire – in the south of England.

Even Conservatives are admitting publicly that the Liberal Democrats' increasingly professional and well-organised approach has made them a real threat to the Conservatives, especially in the party's southern heartlands.

"There is a new Liberal Democrat establishment being built up," says Mr Tony Speller, the former Conservative MP for North Devon, who lost his seat to a Liberal Democrat at the last general election.

"Many of the people who are serving as Liberal Democrat councillors would have been Conservatives 10 years ago, and they are running things perfectly well. There is very little of the brown bread and sandals nonsense you used to get from the Liberals."

It was this realisation that sent Sir Norman Fowler, the Conservative party chairman, scurrying to the south-west earlier this month to assess the damage. Pointedly, Mr John Major, the prime minister, trod much the same ground in the first of his morale-boosting forays into the regions last week.

With the prime minister's backing, Sir Norman delivered a strong warning to last week's cabinet meeting about the urgent need to halt the Liberal Democrat bandwagon. As of now, he told the cabinet, the Liberal Democrats are the number one political target.

To the Liberal Democrats, that kind of talk smacks of King Canute ordering the waves to retreat. Mr David Fox, the party's western region co-ordinator, acknowledges that it benefited in May from a protest vote, but argues that people were also responding to the party's long-standing local campaigning.

"We didn't just get elected as a protest but as a result of two years of planning and of consistent campaigning," he says. As proof, he claims that membership growth has accelerated since the election.

Sir Norman Fowler told the cabinet the Lib Dems are the number one target

Mr Paddy Ashdown, the party leader, goes further. "It is quite clear that the Conservatives are running scared in the south-west, and well they might be, since they are now the third party in many places," he says.

"It is very sensible of them to perceive that we are the major challengers in the south of England, but it will not do them any good. We know there is no room for complacency on our part, but we will just go on campaigning with good, solid common-sense policies, and the Conservatives have no idea how to combat that."

There is some evidence that this jibe is correct. Local Conservative activists who heard Mr Major speak in the south-west last week say he appeared more comfortable attacking Labour than spelling out how the party would respond to the Liberal Democrat threat.

However, events since May have shown that the Conservatives are not alone in their confusion. The Tories' losses in the county council elections left all the parties in uncharted territory but the Liberal Democrats can claim to have a clearer strategy.

Put simply, their aim is to grab whatever share of power they can, wherever they can, on whatever terms. The rationale is that the party's best hope of long-term gain is to build up a record in local government administration. That, the strategists believe, will undermine the "untried" label often hung on the party by the Conservatives, and help to establish a cadre of good parliamentary candidates.

As a result of May's elections, the Liberal Democrats find themselves playing a role in administering almost all the 22 southern counties, sometimes depending on Labour support, as in Berkshire, East Sussex and Hereford/Worcester; sometimes supporting the Conservatives, as in Hertfordshire; or backing Labour, as in Suffolk, Lincolnshire, Norfolk.

In some, such as Oxfordshire, Bedfordshire and Cambridgeshire, all three parties share control; and in others, such as Avon, Essex, Kent and Hampshire, the Liberal Democrats and Labour have established unannounced alliances.

Most of these arrangements are informal, and all have been negotiated locally, sometimes without the participation of national party officials. Some, as in Berkshire and East Sussex, are operated under "conventions" which regulate relationships between the parties.

Others are fiercely disputed. In Wiltshire, for example, the Liberal Democrats claim they have been excluded by an "unholy alliance" of the Labour and Conservative groups. Both major parties deny the charge.

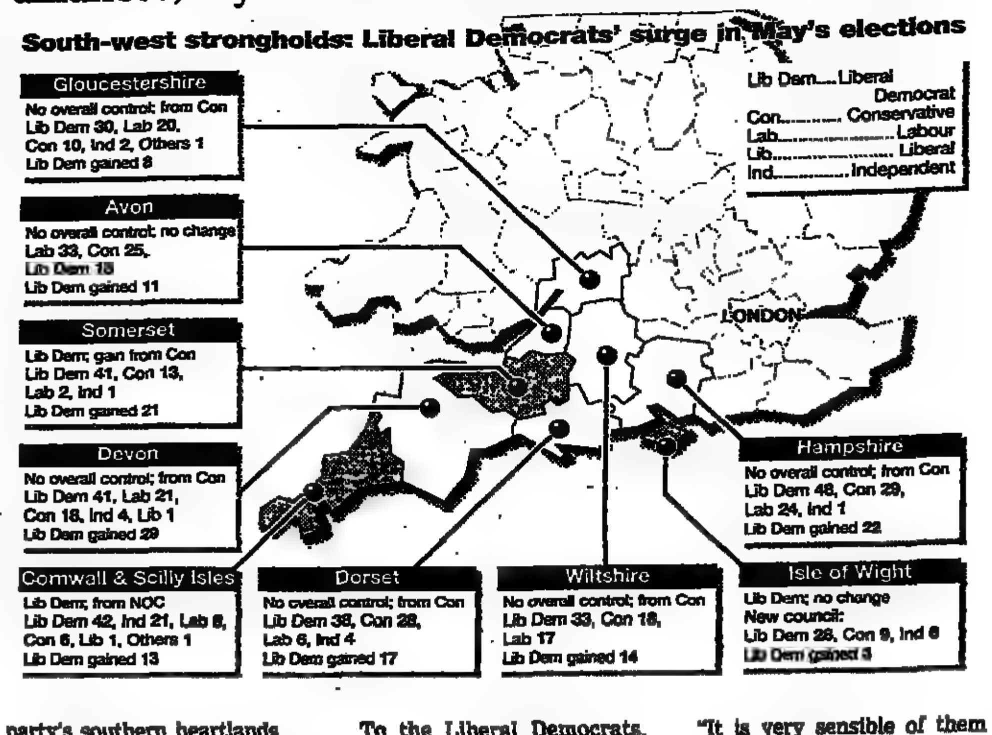
Both Labour and the Liberal Democrats fight shy of characterising any of these loose agreements as "pacts." None involve an agreed policy programme, and in many, alliances rarely shift as issues change.

In Wiltshire the Tories and Labour combined to vote through an operational arrangement (in which the chairperson is elected at each meeting and has no casting vote) but the Liberals and Labour combined to reverse Conservative spending cuts on secondary schools, aid for voluntary organisations and a disabled workshop.

Mr Ashdown and Mr John Smith, the Labour leader, have ruled out any extension of the county council arrangements to parliamentary or European parliament seats.

Nevertheless, the Conservative party's inability to rely on the loyalty of its heartland is a serious blow to the government. The Tories will have to reverse this state of affairs to have any real hope of winning the next general election. Much is riding on Commander Selby Bennett's shoulders.

South-west strongholds: Liberal Democrats' surge in May's elections



LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

No way to warn about profits

From Dr B D Morgan Williams.

Sir, How sad that brokers (S G Warburg excepted) did not receive until early on the morning of Monday September 6 a copy of a letter to Thorn EMI's shareholders from the company's chairman ("Surprise at Thorn disclosure", September 7). They should count themselves lucky to have had access to a copy available for inspection in the Stock Exchange on that day.

That letter, which has been largely responsible for a fall in the share price, was allegedly posted on Friday September 3. By second class post. The copy to a shareholder in this house arrived on September 9 with no postmark. As far as the shareholder is concerned, until accounts of the matter were available in newspapers on Tuesday, everybody else was indulging in insider dealing.

The matter does warrant some sort of inquiry, and afterwards, some action. Cynical shareholders will laugh up their sleeves at the thought of uninformed brokers, while simultaneously demanding that individual shareholders, as members of the company, deserve better than a second-class letter that takes nearly a week to arrive.

B D Morgan Williams,
White Lea,
Beech Close,
Stratford upon Avon CV37 7EB

Abbey's move into derivatives is entirely logical

From Mr Andrew Stott.

Sir, In his article on Abbey National ("Curious case of the Abbey's habits", September 9), John Gapper expresses some surprise at the "odd" behaviour of Abbey at establishing a joint venture on derivatives products. This is not untypical of commentators who have not yet grasped the fact that derivatives are no longer the exclusive preserve of the large institutional customer but have now become an integral part of the financial system.

Evidence of this is all around us, in the form of fixed-rate and capped mortgages, unit trusts guaranteeing a minimum return, certificates of deposit linked to the FT-SE index, to name a few products that are manufactured and managed using derivatives. It is therefore entirely logical that Abbey, as one of the UK's largest financial institutions, develops this capability.

The argument that such a venture may have an adverse impact on shareholder returns is also spurious. The experience of other banks suggests that this activity, if managed well, can provide superior returns on capital.

The surprise, if there is one, is that Abbey should have waited so long to develop this capability.

Andrew Stott,
Price Waterhouse,
Milton Gate,
1 Moor Lane,
London EC2Y 9PB

Appellation was much too quaint

From Mr Baer Pettit.

Sir, Just a small footnote to Julian Ozanne's article ("We're making history here", September 11) from Jerusalem on the recent peace agreement: if one hails from Basildon and works for Barclays Bank one is a foreign exchange (or Forex) dealer. However, if one does the same job, on perhaps a smaller scale, in East Jerusalem one is a money changer. I do not think that someone performing the same task in South Kensington or Oxford Street would merit that quaint appellation. Spare us the vague Biblical references and bogus Orientalism. That way, everyone may understand each other better, eventually.

Baer Pettit,
24 Devonia Road,
London N1 8JH

Wealth of options for new economy

From Mr Tony Cleaver.

Sir, Mr Christopher McCoy (Letters, September 10) commits the same error in logic as Lord Lawson ("A paean of praise to capitalism", September 4/5). That market societies have outlived centrally planned ones in Europe is self-evident. But we should not let this blind us to the workings of our economic system and trumpet its alleged moral superiority from the base of a false premise.

I have argued that dynamic, economically efficient market societies are not built on stable families but in fact cause their break-up. There is plenty of evidence for that in North America and western Europe. To warn that free markets undervalue long-term social relationships is not to recommend we embrace the opposite, outdated extreme of socialism.

There is a wealth of mixed options between *laissez-faire* and central command – I would hope that we can evolve a mix that prizes and preserves cherished social institutions.

Tony Cleaver,
BP fellow in economic awareness,
University of Durham,
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Durham DH1 3HY

Consumer electronics: future lies in software and facilities

From Mr Martyn Thomas.

Sir, In his analysis of the consumer electronics industry ("How to stand out in a crowd", September 10), Tony Jackson does not mention the implications of the growing role of software. The figures are startling: a top-line television may contain 500,000 bytes (500kB) of software, and this may grow to one million in the next three or four years. A vacuum cleaner currently contains some 8kB – even an electric shaver contains some 4kB.

This software exists to add features and reduce costs, which makes it central to competitiveness. If it contains errors, it may force a product recall. The software is complex, and therefore difficult to get right in every detail, yet some companies still do not treat software development as a task requiring disciplined engineering management, mathematically sound design methods, and specialised quality assurance.

The growth in the role of software has taken some managements by surprise. In working with companies in the UK and overseas, we often find that software engineering issues are not getting the management attention that they need, with consequent risk to product development time scales and budgets.

Software engineering is a hugely important profession. It is far from mature, but modern engineering methods are reducing development costs and risks. In the future battle for growth and survival in consumer electronics, software competence may well play a grater part than 256M D-Ram chips.

Martyn Thomas,
Holly Lawn,
Prospect Place,
Beechen Cliff, Bath BA2 4QP

From Mr Shaun O'Riordan.

Sir, Tony Jackson missed the point about consumer electronics. Television sets are not like cars or cornflakes or dishwashers. They don't do anything. People are not bored with television sets; they are bored with the programmes that come through them.

Nobody will spend hundreds of pounds on brilliantly clear, high-definition TV sets that show the same old rubbish. They will spend only if the brilliant new pictures offer brilliant new fun; new sorts of services; shopping and banking; takeaway menus; two-way conversations; access to airlines, medical help and advice. Red hot news and wonderful information, amazing new shows.

I'd spend £1,000 on a new telly for all that.

Sony seems to be the only one to understand. It has invested in Hollywood.

Shaun O'Riordan,
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London N6 5JQ

FINANCIAL TIMES
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Wednesday September 15 1993

Mr Clarke's pay policy

MR KENNETH Clarke, self-styled champion of the cabinet's hard centre but suspected by many of softer inclinations, was always going to have an image problem in his early months at the Treasury. Faced with a gaping fiscal deficit, and with Britain's recent inflationary past still fresh in the memory, the chancellor could not afford to give the impression that the government will be lax on either wage inflation or public spending.

Yesterday's announcement that the government will freeze next year's public sector wage bill may help to dispel doubts about his resolve, as well as bolstering his credentials as a fearless combatant against the trade unions. By buttering up the Tory right, the move should also enable him to keep open the option of a tax increase in the November Budget. Whether it will serve the longer-term interest of the economy is another question.

The precise nature of the medium-term framework for pay-setting, towards which Mr Clarke appears to be moving, remains rather obscure. The sentiment is clear enough: "For next year, 1994-95," yesterday's statement said, "the government will expect any increase in pay for its own employees to be matched by improvements in productivity." But what does this mean in practice? "Government departments," the statement continues "will be expected to keep their running costs, including pay budgets for their own employees, to their 1993-94 level in cash terms, except where there are significant changes in activity above that which can be accommodated by marked improvements in productivity."

Credibility

For most of the public sector, the consequence of cash limiting pay bills is clear enough: accept a pay freeze or reduce employment. The chancellor's calculation must be that the economic and political risk of adding to unemployment while the economy remains depressed will be outweighed by the rise in fiscal and political credibility from holding back public sector wages.

The medium-term danger is that the gain in fiscal credibility will be undermined by the inflationary signals that the chancellor's public pay policy implies. For Britain's new chancellor appears to have fallen into the very same trap into which chancellors and wage-bargainers have fallen for decades: endorsing the fallacy that real wage increases at the company level are justified if, and only if, they are matched by productivity gains.

Unstable recipe

For the economy as a whole, *this principle makes sense*. But at the sectoral level, it is an unstable recipe. Productivity gains are inevitably faster in manufacturing than in public services. In the short term, encouraging manufacturers to pass their productivity gains to employees, while holding down public sector wages, stores up the old problem of recruitment and motivation of public servants. In the medium term, it just pushes the average rate of wage inflation higher, as public sector workers seek to catch up with the more rapid rises which have been justified in the private sector on the basis of productivity advances.

Moreover, it is the private sector that continues to generate inflationary pressures, as the government's submission to the pay review bodies yesterday makes clear. Public sector wage settlements for this year were just 1.5 per cent compared with expected underlying inflation of 3.75 per cent. But average earnings in manufacturing are still rising at an unsustainable 5 per cent a year.

The chancellor's short-term case for keeping the lid on public sector pay is reasonable enough and it is true that the scale of the problems it causes will depend on whether private wage inflation falls further and stays low. It is for this reason that the chancellor should follow up his public sector pay strictures with a sustained effort to persuade the private sector of its responsibilities. The success of the government's economic strategy requires that average pay in the private and public sectors should rise in line with underlying economy-wide productivity. By appearing to endorse the muddled notion that productivity-related pay increases are always acceptable, he risks sending precisely the wrong signals to private sector wage-bargainers.

Multi-media merger mania

MULTI-MEDIA, convergence, communicopia. Talk to top executives at telephone utilities, entertainment groups or computer companies these days and you are likely to hear such buzzwords. Hardly a week passes without a new alliance, project or merger being announced with the aim of positioning the participants for the coming world of multi-media.

This week Viacom, the US-based cable television group, bid $8.2bn for Paramount Communications, the film production and publishing company, while news leaked out that British Telecommunications is pressing ahead with proposals to provide a national video-on-demand service via its telephone lines. Earlier in the year, telecommunications group US West agreed to invest $2.5bn in Time Warner's cable and entertainment operations – which were in turn formed as part of a $11.6bn merger in 1989.

The essential hypothesis underlying all the buzz about multi-media is that technologies in the computer, telecommunications, consumer electronics, entertainment and publishing industries are converging. The time is rapidly approaching, the theory goes, when homes will sport smart terminals – something of a cross between televisions and computers – linked into advanced communications networks. Over those, they will get access to services such as video-on-demand, interactive computer games, picture telephones and home shopping, as well as ordinary TV and telephone services.

Over-impressed

Heard it all before? Sceptics with long memories may well suspect they are being bamboozled with techno-hype. Enthusiasm for convergence between telecommunications and computing in the early 1980s led to a wave of unsuccessful mergers such as that between computer giant IBM and Rolm, the switchboard manufacturer. Strategists were over-impressed by technological convergence. But it was difficult in practice to devise "killer products" that appealed to consumers or to manage companies with different cultures.

A second version of the convergence hypothesis, popular in the late 1980s, was that consumer electronics manufacturers and entertainment groups should combine forces. This led to Japan's Sony acquiring Hollywood's Columbia studios and CBS records, while rival Matsushita took over MCA. There never seemed much logic in the idea that makers of video recorders should tie up with film producers – it is not as though they could provide them with better distribution channels. But the deals have not been failures, since the Japanese parent have largely left their software arms to run themselves.

Main focus

The current enthusiasm for multi-media convergence is rather different. The main focus is on entertainment distribution. This in turn comes in two versions: vertical integration between entertainment groups and distribution networks; and convergence in telecommunications and entertainment distribution channels.

In the first category comes the proposed tie-up between Viacom and Paramount. This may make business sense in that it will give Viacom's cable networks ready access to a critical mass of films and TV programmes, while securing outlets for Paramount's products. But vertical integration will, at best, provide only a partial way forward. Entertainment companies need global distribution – something no single cable network will come close to delivering – while no network will appeal to consumers by distributing a single company's products.

In the second category comes BT's planned move into videos. The industrial logic here is compelling. There is sense both in telephone utilities carrying entertainment over their networks and in cable companies providing telephone services over theirs. Sadly, in most countries, such convergence is stopped by regulation.

The reason for feeling more confident about the current convergence wave compared with previous ones is that it is driven less by techno-hype and more by a popular application – entertainment. Restructuring entertainment distribution does not, of course, amount to full-scale multi-media convergence. But it may prepare the way for such a future.

Anthony Robinson and **Nicholas Denton** on the urgent need for reform of central Europe's banking system

Clean-up prior to going on sale

For more than three years the bankers of post-communist central Europe have been waiting in vain for economic growth to solve the problems of loss-making state enterprises.

But growth has proved elusive. Ironically, this is partly because the banks, ill-equipped to assess risk and weighed down by large levels of bad debt inherited from the communist past, have been unable to respond flexibly and imaginatively to the needs of a rapidly expanding private sector.

Now, as Poland and the fast-track economic reformers of central Europe stand poised for a resumption of growth, a radical overhaul of the banking sector, including privatisation of state-owned commercial banks, has become a high priority for governments, central banks and western lending institutions.

The need for urgent modernisation was highlighted in a recent report by the European Bank for Reconstruction and Development and a joint study by the World Bank and the International Monetary Fund into the specific ailments of the Hungarian banking system (see below).

EBRD officials estimate that bad debts represent some 60 per cent of the balance sheet of the largest east European banks, adding that recapitalisation and the introduction of competition, ideally through privatisation, was now urgently needed.

Throughout the region, singling out the main bad debtors has become the first stage in tackling the wider problems of undercapitalised, debt-laden banks. The second, more expensive stage of recapitalisation requires privatisation and funds from both tightly stretched national budgets and international institutions.

It is in Poland, where the dangers of an unregulated banking system were graphically illustrated three years ago by the failure of the ART-B bank with an estimated loss of $500m, that the privatisation process is most advanced.

It began four months ago with the sale of Wielkopolski Bank Kreditowy, the first of nine state-owned commercial banks to be privatised in the region; the EBRD is a principal shareholder. Last month the government announced that 60 per cent of Bank Slanski, the leading bank in the industrialised Silesian province, would be auctioned to private foreign and domestic investors shortly. Seven other state-owned regional banks, all hived off from the National Bank of Poland, the central bank, four years ago, are also earmarked for sale.

While the Poles have taken the lead on reform, the Czechs have taken a different approach which involves, first, the partial removal of bad debt from the books of banks awaiting privatisation. The Czech government has set up a special institution, the Konsolidacni Banka (Consolidation Bank), to tackle inter-enterprise debt. This has accumulated as factory managers have bypassed the banks by supplying each other with goods and services that they have not paid for.

An idea of the compulsive limits that this process can reach was revealed in a recent report by Salomon Brothers, the New York-based investment bank. The study noted that mutual default on payments between enterprises grew 82-fold in Russia over the first half of last year and had become the main source of financing economic activity in that country.

A frail system: the post-communist era has been tough for central Europe's banks, especially those in Hungary

Central Europe does not have a problem on the Russian scale. But in 1991 a third of the total Kcs250bn debt portfolio of Komercni Bank, the largest Czech state-owned commercial bank, was transferred to the Konsolidacni Banka, which acts in effect as a state-financed "dustbin" for non-performing loans.

A different approach is being attempted by the former Yugoslav republic of Slovenia, which has issued 30-year government-guaranteed bonds worth DM3.5bn. The bonds will be swapped for specific portions of the bad debt held by Ljubljanska Bank and other state-owned commercial banks.

Across eastern Europe, refinancing inherited bad debts and "cleaning" balance sheets is being undertaken as a prelude to privatisation. It is accompanied by an explosion of spending on training and new equipment and a big effort to strengthen the supervisory functions of the central banks. The Czech banks alone have created 50,000 jobs in the past three years.

In some cases, as in newly independent Slovakia and Slovenia, central banks have had to be created. Elsewhere, existing central banks, which used to deal with virtually all banking business in the centralised communist system, have been remodelled on western lines and told by their governments to concentrate on banking supervision. Governments have also introduced banking laws covering bankruptcy and related issues, to bring financial markets legislation into line with the European Community.

To attract much-needed expertise as well as fresh capital, western banks are being encouraged to set up local branches or take stakes in the new state-owned commercial banks (hived off from central banks) and the small, under-capitalised local private banks.

Many of the smaller private banks were set up in the lawless early days of post-communist euphoria by private entrepreneurs or enterprising state factory managers to raise capital for their own needs. Some have already folded and most face rapid demise unless they receive injections of capital and knowhow. Some, like Poland's ART-B, have been closed after the belated discovery of large-scale fraud and embezzlement.

The introduction of western-style laws, with their demands for greater financial transparency and minimum reserve requirements, has exposed the fragile condition of many of the region's banks. The loan books of state-owned commercial banks are full of what were once regarded as the jewels of socialist industry. But most of these so-called jewels, especially the privileged defence plants, were found to be severely tarnished with non-performing loans granted under political, rather than economic, priorities.

"Now the state-owned banks are caught in a trap," said Mr Gyorgy Suranyi, a former governor of the Hungarian central bank, who runs Central-European International Bank, the oldest, largest and most profitable of the private joint-venture banks set up with Hungarian and foreign capital.

"Bad loans mean higher provisions. These require higher profits, which in turn require the state-owned banks to seek higher spreads [between borrowing costs and lending rates] and higher fees. In this way the banks gradually lose their best clients or weaken the performance of those which remain," he said.

The handicaps borne by the new state-owned banks have placed them at a big disadvantage as they try to confront competition from banks such as CIB and other joint-venture banks, formed with foreign partners or with the local branches of wholly owned overseas banks. Unencumbered by inherited debt burdens, the banks with foreign links have lured away many of the state-owned commercial banks' best customers, including the multinational corporations and other foreign investors who have poured more than $9bn into central Europe over the past three years. For instance, CIB has grabbed some General Electric business from Magyar Hitel bank, Hungary's largest commercial bank.

Experienced and globally well-connected, the foreign banks have also been able to pick up a growing share of profitable niche services, such as foreign trade finance. But the specialised state-owned foreign trade banks, such as Bank Handlowy in Poland or Hungary's Kulkereskedelmi Bank, which in the communist era enjoyed a near monopoly of trade finance, have managed to hold on to a large share of this business despite the inroads by new players.

As the World Bank, the EBRD, and governments throughout the region prepare to invest heavily in an effort to clear the decks for what they hope will be profitable lending in the future, many of the region's most experienced private sector bankers, like Mr Suranyi, argue that the need for further capital injections will persist until the privatisation process is complete.

But central European governments cannot afford repeated bail-outs while committed to tight IMF-imposed budget constraints and a host of competing claims on their slender resources. Ultimately, their lack of cash will prove the most powerful force behind the drive to modernise and privatise the banking system.

From then on, it will be up to the managers and shareholders of banks to shoulder the responsibility for making lending decisions on a purely commercial basis – and to pay the price if they fail.

Hungary for capital

Nicholas Denton on Budapest's search for western aid

The frailty of central European banks has come to light most rapidly in Hungary. The country was the first in the region, in late 1991, to enact a comprehensive package of western-style legislation on bankruptcy, accounting and commercial banking. These laws have introduced greater transparency, in turn revealing accumulated losses at companies and exposing the capital weakness of the banking system.

A joint World Bank and International Monetary Fund study of the banking system earlier this year revealed the extent of the problem.

It showed that most of the country's banks, including the two largest commercial banks, Magyar Hitel Bank and Kereskedelmi Bank, were "technically insolvent according to internationally accepted accounting standards". The report concluded that "the financial system is unable to finance the transformation to a market economy".

The findings have spurred the authorities and international institutions into action. A World Bank delegation arrived in Budapest last week to pave the way for a loan for financial restructuring; Hungarian officials say the loan could total $200m-$300m.

One important condition for World Bank assistance should be met today when the International Monetary Fund is expected to approve Hungary's macroeconomic programme, designed to reduce the budget deficit.

World Bank financing will in turn allow the authorities to inject new capital into the banks by the year-end. The World Bank has recommended an injection of Ft100bn to bring capital ratios to an initial target of 4 per cent of risk-weighted assets, a big step towards the 8 per cent goal laid down by the Bank for International Settlements.

But the Ft100bn may not be enough. Hungarian banks have this month been submitting up-to-date estimates for their bad loan portfolios. While no official figures on the extent of the problem are forthcoming, initial signs are that the defaults and recapitalisation costs could be higher than first thought. This week, criminal investigations by the chief prosecutor's office have also disclosed that fraud, bribery and other financial crimes have cost banks Ft16bn-Ft18bn.

Hungarian government officials alarmed by the cost of the bail-out, are anxious to ensure that loan losses never again spiral out of control. "We must not convey the message that whenever you run into difficulties someone will bail you out," says Mr Peter Bod, chairman of the National Bank of Hungary, the central bank.

The authorities are therefore improving bank monitoring. The central bank has set up its own banking supervision department. And the State Property Handling Company (AV RT), the holding company which exercises the state's controlling stakes in the largest banks, is also tightening controls. "We have drawn up a list of 10-15 indicators to monitor the banks' performance," says Mr Szabolcs Szekeres, AV RT chairman.

But monitoring by the authorities, at least in an economy which is rapidly being liberalised, cannot substitute for better management. The greatest effort is required at Magyar Hitel Bank, banker to Hungary's largest and most troubled enterprises and in need of the largest recapitalisation.

The shake-up at Magyar Hitel Bank began in April last year when it appointed Mr Istvan Torocskei, a former foreign exchange dealer at the central bank, as its third new chairman in three years.

Mr Torocskei's first act was to order an audit of the loan portfolio. Magyar Hitel Bank found that its non-performing loans had tripled from Ft25bn in December 1991 to a peak of Ft78bn last year. Mr Gyorgy Szepesi, deputy chief executive responsible for the investigations, says: "The amounts, the level of risk, the consequences of expansive credit policy up to 1991, all gave us a shocking surprise."

Now that the bank has a clearer idea of the problem, it has moved on to the remedial phase. This summer the board authorised senior management to set up a special corporate finance unit. To manage the unit Mr Torocskei has brought in Mr Robin Winchester, an experienced international banker who built up Citibank Budapest into one of the most profitable foreign banks in central Europe.

This "bank within a bank", on the fifth floor of Magyar Hitel Bank's headquarters in Budapest's banking hub, has taken over responsibility for Hitel's 80 largest debtors and their outstanding loans of more than Ft100bn ($1.05bn). Hungary's banking reforms depend as much as anything on the success of this "bank within a bank".

HUNGARY'S BANKS: A CAUSE FOR CONCERN (Ft)

	Risk weighted assets	Capital adequacy	Capital adequacy ratio %	Cost to recapitalise 4% capital adequacy ratio
Magyar Hitel Bank	240.6bn	-19bn	-7.9	28.6bn
Budapest Bank	83.7bn	2bn	2.2	1.7bn
Magyar Kulkereskedelmi Bank	75.1bn	12.1bn	16.1	0.0
Kereskedelmi Bank	161.7bn	-13.7bn	-8.5	20.2bn
Orszagos Takarek Penztar	413.1bn	-1.8bn	-0.4	18.3bn
Other banks	283.6bn	-20bn	-7.8	30.5bn
Total	1,248bn	-40.3bn	-3.2	99.3bn

Source: Credit Suisse First Boston and World Bank-IMF projections for 1993

OBSERVER

Presidential problems

■ Poor Chancellor Helmut Kohl. He desperately wants an east German, or Ossie, to succeed Richard von Weizsäcker as president. Yet the candidate he has in mind is currently enjoying a miserable 5 per cent popularity rating in national opinion polls, while the candidate he least desires is scoring 55 per cent.

The favoured contender of Kohl's Christian Democratic Union party is Steffen Heitmann, 49-year-old justice minister of Saxony.

Before reunification Heitmann had been active in the Lutheran Church, a focal point for opposition to the communist regime. He is something of a traditionalist, preaching the virtues of nationhood, security and the need for German womanhood to spend more time at home. Despite such credentials, Heitmann has not yet been folded fully into the bosom of the CDU.

But having struggled to get Heitmann accepted in the first place, the CDU's movers and shakers in Saxony are determined to see it through.

Nevertheless, Hans Dietrich Genscher, the former foreign minister, is still the runner most favoured by the Free Democrats, the junior partner in the governing coalition.

Genscher has said no many times; but then so did Mae West.

Genscher has distinct advantages. He is easily the public's favourite; he can also boast Ossie credentials – he was born in Halle, Saxony-Anhalt. His only handicap, it appears, is that Kohl would not wish to see his former rival bask in such limelight.

Smallish war

■ Political crisis time again in Lilliputian Lichtenstein, where partisan patronage dies hard.

It has been just a year since Prince Hans Adam, the last monarch in Europe with any real power, threatened to dissolve parliament (with 25 members) because of the resistance of the government (five members) to moving closer to the EC.

Now a new parliament has voted out its youngest ever-prime minister after only four months, his own party deserting him because he put a member of the opposition in charge of the civil service.

The prince, who opined that the 34-year-old Markus Büchel had done no wrong, warned again that he would dissolve parliament if they voted him out. Watch this space.

Birth pangs

■ Hilmar Kopper, chief executive of Germany's Deutsche Bank, may lack the urbanity of his predecessor, Alfred Herrhausen, but he's still a dab hand at verbal finesse.

In Milan yesterday for a rare board meeting outside Frankfurt, Kopper recalled Deutsche Bank's role as a co-founder 98 years ago of Banca Commerciale Italiana, one of Italy's biggest and most prestigious financial institutions.

"We could be available for a rebirth," said Kopper, when quizzed about his bank's possible interest in buying assets from the newly privatisation-minded Italian government.

Then he realised the need to avoid giving the impression that Deutsche Bank might want to buy BCI, rather than just peddle some of the shares in any flotation. "Let's just say we would very much like to help with the delivery," he explained.

'Donations from teachers and firemen have dried up'

Bock and tackle

■ Lord Palumbo says his father gave him a maxim, which was "only do one thing well". This may explain the chairman of the Arts Council's 35-year obsession to redevelop the site adjacent to the Bank of England.

Now joining Palumbo in the parade ground of Mansion House square is Dieter Bock, joint chief executive of Lonrho, whose own property company is putting money into the scheme.

Bock's father probably passed on a different motto. Recently hard at work refocusing Lonrho in tandem with his Tiny Rowland, Bock is perhaps trying to do many things well.

Lonrho remains the priority, he says, but his assertion that his involvement in Palumbo's project would only occupy a couple of days a year touched Palumbo's perfectionist streak. How could Bock resist straying on to the site each day, given he passes it en route to Lonrho HQ in Cheapside?

Optimum speed

■ Full marks to the tax faculty of the Institute of Chartered Accountants in England and Wales for a strongly worded missive on Monday. The bean-counters savaged proposals emanating from HM Customs & Excise to prevent holding companies from receiving VAT rebates.

Unfortunately, last Friday Customs issued a press release announcing it had all but abandoned its proposals.

Perhaps the tax faculty had difficulty understanding the release; it contained so many double negatives that a sceptic might think Customs was trying to conceal all suggestion it had backed down. Or maybe the tax accountants were just exhibiting their characteristic caution and holding fire until they knew they had backed a winner.

Then again, those more familiar with the labyrinthine workings of the Institute might feel there is another explanation. After all, the original Customs proposals were announced last October.

Writer's cramp

■ London's literary world was buzzing yesterday. "Wanted – billionaire art-lover" read the classified ad tucked away in the FT's London edition.

Who was the "distinguished playwright/author" planning to leave England, "due to health", offering to sell 51 per cent of all "past, present, future" for "½m"? All Observer could discover was that John Osborne, Harold Pinter et al are staying put.

FINANCIAL TIMES
Wednesday September 15 1993

President calls on US to embrace global economy

Clinton underlines his support for Nafta pact

By Nancy Dunne in Washington and Damien Fraser in Mexico City

THE White House yesterday produced an extraordinary display of bipartisanship, pageantry and salesmanship which laid to rest any doubts about President Bill Clinton's commitment to congressional passage of a North American Free Trade Agreement.

However, an unexpected twist in Mexico City saw President Carlos Salinas using the same occasion – for the signing of labour, environmental and import surge side agreements – as an opportunity to downplay the deal's importance to the Mexican economy.

"No one will do for Mexico what Mexico does not do for itself," he said.

In Washington, Mr Clinton said his administration would "make our case as hard and as well as we can," in support of the pact between the US, Canada and Mexico. "Nafta will create jobs – good paying jobs. If I didn't believe that, I wouldn't support this agreement."

The US ceremony began with the entrance of Presidents Clinton, Bush, Carter and Ford walking abreast to the strains of Hail to the Chief.

Vice-president Al Gore, the first up to the podium, praised the "long series of commitments by presidents of both parties" which paved the way for Nafta. He lauded the bipartisan US foreign policy, in place since the second world war, as "how we won the cold war ... how we promoted peace and reconciliation in the Middle East."

Mr Clinton ad libbed at length – too much length, so that the three ex-presidents eventually sat down – but he rescued his performance with several moments of real eloquence. Most important, he framed the Nafta debate, in a way that has been previously lacking, as about whether Americans would "embrace" the changes in the global economy or "try to resist them and try to preserve the economic structures of yesterday".

The president said workers had become "vulnerable to fear tactics – that is behind most of the opposition to Nafta". However, he said, "when you live in a time of change, the only way to recover your security is to broaden your horizons and to adapt to the change."

Each former president urged support for Nafta. It fell to Mr Jimmy Carter to take on Mr Ross Perot, the billionaire leading opposition to Nafta, as "a demagogue ... who has unlimited financial resources" and "is extremely careless with the truth".

French try to protect Europe from Hollywood

By David Buchan in Paris

FRANCE yesterday stepped up the campaign to prevent what it sees as an American attempt to use the Gatt world trade negotiations to swamp Europe with Hollywood films.

Announcing yesterday an extra FFr50m ($8.8m) in aid to encourage film-making in France, Mr Jacques Toubon, France's culture minister, also warned in an interview with Le Figaro that if a Gatt agreement were to cover the cinema, the French government "will not sign it".

France is not threatening to veto Gatt over the cinema, as it is over agriculture, because it cannot credibly claim that the livelihood of less than 4,000 French employed in full-time film-making is as vital a national interest as the future of more than 1m farmers. Paris would therefore probably allow itself to be outvoted on any audiovisual deal.

But Mr Toubon's statements inject a sharper note of cultural animosity into its relationship with the US, already strained over agriculture.

Complaining that US films like *Jurassic Park* and *Last Action Hero* were already taking too large a slice of the French cinema market, the minister claimed that Gatt's general free trade principle of non-discrimination would make it impossible for France to keep its regular FFr1.3bn a year subsidy for the making of French films and its requirement that French broadcasters must air a minimum of 60 per cent EC-made films.

The special aid announced by Mr Toubon yesterday is particularly aimed at helping French studios fighting competition from lower cost locations in eastern Europe and Portugal.

As with agriculture, France is at odds with some of its EC partners, and the European Commission, over the right approach to the US in Gatt. Paris argues that Europe must keep audiovisual trade outside Gatt by claiming a total "exception" for it.

By contrast, the Commission maintains that by including audiovisual products, while insisting on the "specificity" of this sensitive cultural area, the EC would be better placed to defend Community broadcasting legislation, as well as the tougher national provisions of countries like France, from unilateral US attack in the future.

The EC's television broadcasting directive merely recommends that European stations schedule a majority of EC-made programmes. French legislation requires national stations to air a minimum of 60 per cent of EC-made programmes, while also subsidising local film-making with the proceeds of a 5.5 per cent levy on TV station turnover and an 11 per cent tax on cinema tickets.

Jordan in peace move

Continued from Page 1

ultra-orthodox Shas party, which has effectively quit the Labour-led coalition, said he had recommended the party's spiritual mentor to demand a referendum be held on November 3.

Mr Deri said he had instructed the interior ministry, which he headed until his resignation took effect yesterday, to make preparations for a referendum. No government decision has been made.

Two Palestinians died in further violence in the occupied Gaza Strip yesterday, including a suicide bomber who blew himself up in a police station in an apparent protest at the peace deal.

Mr Warren Christopher, US secretary of state, welcomed the outline deal between Jordan and Israel as a "signpost of the progress we hope and expect will soon come" in peace talks involving Syria and Lebanon.

Rexrodt ends peace role

Continued from Page 1

quarters and the home of Mr López and seven of his colleagues. Since then there has been no further contact.

The public row between the two sides has subsided recently while the haul of documents and 250 computer diskettes seized during the search is analysed. Ms Dorothea Holland, the prosecutor in charge, is understood to be examining computer data.

An independent probe at VW, ordered by the group's supervisory board, and undertaken by auditors KPMG Deutsche Treuhand, is not expected to end for at least another month.

Florida holidays hit after murder of another tourist

By George Graham in Washington

HOLIDAYMAKERS are cancelling trips to Florida, with yesterday's murder of a British tourist creating the latest in a series of foreign victims of violence in the state.

Florida police said Mr Gary Colley, aged 34, was killed and Ms Margaret Jagger wounded when they were attacked in a lay-by near Tallahassee, the state capital, in the early hours. Ms Jagger was later released from hospital.

Mr Colley's death follows the killing last week of Mr Uwe-Wilhelm Rakebrand, a German tourist, in a highway shooting in Miami. He was the ninth foreigner to be killed in Florida this year.

Mr Greg Farmer, the Florida state secretary of commerce, said cancellations at hotels and resorts were running at around 20 per cent after Mr Rakebrand's killing, and the latest attack would probably inflict more damage on the state's $31bn a year tourism industry.

"It is going to be just catastrophic. This is going to have a very, very negative impact," Mr Farmer said.

Mr Ken Fortune, the county sheriff, said he believed the British couple had been chosen at random, and not targeted as foreigners.

Governor Lawton Chiles announced a $10,000 reward for information leading to Mr Colley's killers, and he asked the federal government for help in the effort to crack down on crime. The British and German governments already issue warnings to tourists about the dangers of travelling in Florida, but travel agents in Europe have generally distinguished Miami from the rest of the state, and advised their customers to pick destinations such as Orlando or St Petersburg.

Six of the foreign visitors who have fallen victim to Florida's violence this year were attacked in the Miami area, but yesterday's shooting took place in the state's quieter northern panhandle.

Tallahassee is a quiet town festooned in Spanish moss, more akin to neighbouring Georgia or Alabama than to the brasher Miami coast.

Florida's murder rate of 10.7 per 100,000 population, however, is lower than Georgia's and well below the rate in states such as Louisiana, New York and Texas. And the murder rate in Miami is far lower than in Birmingham, Atlanta or St Louis, let alone Detroit or New Orleans.

Mr Colley and Ms Jagger were sleeping in their car in a rest area around 25 miles from Tallahassee when two teenagers approached their car and banged on the windows. The two assailants opened fire when the British tourists tried to drive away.

An attendant at the rest area gave police a description of the attackers, who escaped in a red car with no licence plates.

Around 40m tourists visit Florida every year, and some 17 per cent of them are foreigners.

THE LEX COLUMN

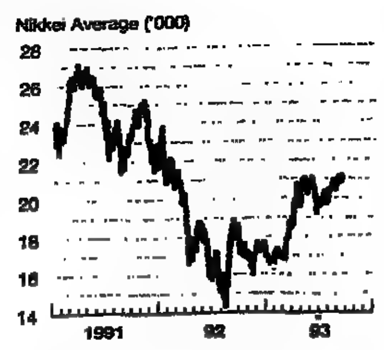
Japan's double-dip

Yesterday's economic figures confirm that Japan is experiencing its very own double-dip. Stagnation at home and the brow-beating from Washington on trade can only increase pressure on the government to deliver an economic package of substance tomorrow. Two rounds of blunt fiscal stimulus totalling Y24,000bn have failed to stimulate recovery. Something more imaginative is now required.

Since Mr Morihiro Hosokawa's fragile coalition is split on personal tax cuts and the scope for deregulation of business, it is far from clear that he can deliver. Still, serious gestures in the direction of deregulation and measures to stimulate personal consumption might at least relieve upward pressure on the yen. Evidence that the structural causes of Japan's trade surplus are finally being addressed might persuade the US to stop talking up the Japanese currency. The impact on the markets would be all the greater if such a package were to be followed by a cut in official interest rates.

While the trade surplus remains stubbornly high in dollar terms, though, anything more than a gentle depreciation of the yen would again upset the apple cart with Washington. On that basis the recent strength of the Tokyo equity market is perplexing. As in other markets low deposit rates are encouraging a flow of savings into equities. But without coherent measures to nurture a consumer-led recovery, reasons for optimism are few and far between.

FT-SE Index: 3028.0 (+3.2)



Source: FT Graphite

Lafarge Coppée

Several special factors may have helped protect Lafarge Coppée's half-year earnings, but its trading performance has proved surprisingly resilient nonetheless. Although the French construction market has fallen away sharply this year, Lafarge has contained the damage thanks to its cost cutting campaign and overseas expansion. The US recovery has helped offset the downturn in mainland Europe while other markets, such as eastern Germany and Brazil, have remained particularly perky. The French cement market is also proving more orderly than that in many other countries. While volumes have fallen sharply, prices have remained relatively firm. France is certainly better protected than the UK from cheap imports: its main population centres are located further from the coast making transportation costs prohibitive.

Despite its sanguine trading statement, Lafarge cannot expect to evade the downturn indefinitely. This perhaps helps to explain why the company is now seeking to capitalise on its share price strength to raise FFr2.5bn in new capital. This will keep gearing within sensible limits and may subsequently enable Lafarge to pick off acquisitions. Many French companies may be keen to follow the example. With the Paris bourse touching new highs, companies must be tempted to raise equity finance before the privatisation deluge begins.

UK economy

The government must be particularly anxious to keep the lid on public sector pay. Any hint of weakness would undermine its credibility on inflation and raise new worries about the size of the public sector borrowing requirement. The result could be a nasty setback in the gilts market at a time when the funding need is still high. It is thus no surprise that the Treasury has come out with a stand on pay which could bring it into direct and embarrassing confrontation with the review bodies.

Cynics will say that that by allowing increases to be financed by efficiency gains, the government has opened the door to spurious productivity deals that will end up breaching its cash limits. Doubtless there will be an element of fudge: it would be a miracle if the government could keep its wage bill unchanged in cash terms next year. But its 1.5 per cent limit for the current year has worked better than many anticipated and public sector workers will attract little sympathy from their counterparts in the private sector, many of whom are still enduring pay freezes.

Although the Treasury's plan looks ambitious, the prospects are thus for continued constraint on public sector pay. Desirable as this may be for the overall economy, it will not do much for consumer confidence. Individuals will need rising real incomes before rushing back to the housing market and resuming purchases on credit. Indeed, there is an inherent contradiction between pay restraint working only because of a weak economy and expectations of a sustained consumer-led recovery. That makes yesterday's weak figures on manufacturing output all the more disappointing.

Kingfisher

Kingfisher's passionate adoption of everyday low pricing is certainly a marketing success. The "key DIY" initiative from B&Q has put a stop to the blitzkrieg price battles of last year. Since B&Q has by far the largest sites and is striving for high productivity, it is well placed to win the trench war it has started instead. Significantly, B&Q increased its first half profits while Texas slipped back and Do It All's losses ballooned.

Yet while it has sold the message, Kingfisher has a long way to go before it fully implements the low price philosophy. Only some 20 per cent of B&Q's sales are explicitly covered by it and the company is clearly still tinkering. The jump in sales at Woolworth suggests it may have been a little too aggressive in cutting gross margins. Superdrug's poor performance shows how its weak market position makes it even more vulnerable to supermarkets than Boots, however much Superdrug hypes its promotions.

The weak service element in several Kingfisher chains also needs correction, while the tardy roll-out of electronic point of sale equipment makes streamlining operations more difficult. Perhaps the arrival of Mr Alan Smith from Marks and Spencer will help. He brings experience of innovation, systems and of grinding out consistent performance gains.

As Kingfisher is having most of the right ideas, however, it does not do to carp. Its strategy may slowly throttle some groups which are currently better placed. In the longer term Kingfisher's cash generation bodes well and, who knows, even the French romance with Darty may not end in tears.

FT WORLD WEATHER

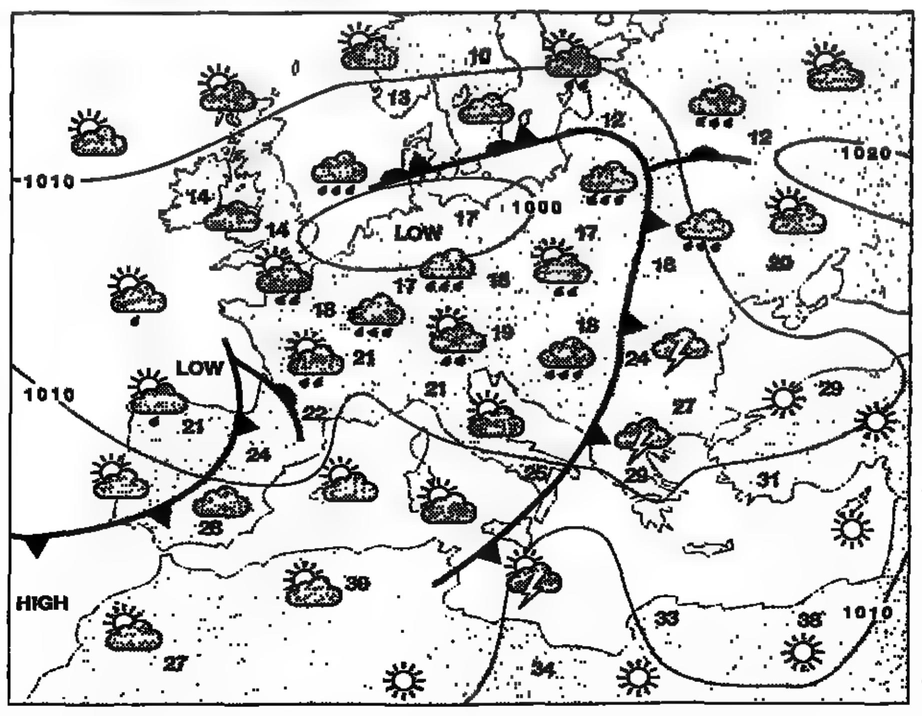
Europe today

A front associated with a weakening depression over northern Germany will cause windy and rainy conditions over England, southern Scandinavia, Denmark and the Baltic states. Thundery showers will occur over the Balkans and southern Italy. High pressure will persist over Scandinavia bringing sunny intervals, especially along the Norwegian coast. *Temperatures will stay unseasonably low with* widespread frost at night in Lapland.

A second low pressure area over the Bay of Biscay will be responsible for unsettled and cool conditions over the Low Countries, north-west France and parts of Portugal. However, south-eastern Spain, Greece and Turkey, will have sunshine with temperatures between 25C-30C.

Five-day forecast

A westerly flow will continue to bring depressions from the Atlantic to western and central Europe resulting in unsettled and cool condtions. However, a ridge of high pressure, passing the British Isles tomorrow, and the mainland over the weekend, will bring temporarily drier conditions. Scandinavia will stay settled and dry in most places. Southern Europe will have sunny periods, but also a few thundery showers.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	sun	39
Accra	fair	31
Algiers	fair	30
Amsterdam	shower	15
Athens	sun	29
B. Aires	sun	20
B.ham	rain	14
Bangkok	cloudy	33
Barcelona	fair	25
Beijing	fair	30
Belfast	fair	14
Belgrade	thund	23
Berlin	cloudy	17
Bermuda	fair	32
Bogota	fair	19
Bombay	fair	31
Brussels	shower	16
Budapest	cloudy	21
C.hagen	rain	12
Cairo	sun	35
Cape Town	fair	20
Caracas	shower	28
Cardiff	cloudy	15
Chicago	sun	18
Cologne	cloudy	16
D' Salaam	sun	29
Dakar	fair	30
Dallas	sun	24
Delhi	fair	32
Dubai	sun	38
Dublin	cloudy	13
Dubrovnik	thund	23
Edinburgh	shower	14
Faro	fair	25
Frankfurt	shower	18
Geneva	shower	17
Gibraltar	sun	27
Glasgow	fair	15
Hamburg	rain	13
Helsinki	cloudy	9
Hong Kong	cloudy	31
Honolulu	cloudy	30
Istanbul	sun	28
Jersey	shower	14
Karachi	sun	31
Kuwait	sun	41
L. Angeles	fair	23
Las Palmas	fair	27
Lima	fair	20
Lisbon	cloudy	23
London	rain	15
Lux.bourg	shower	15
Lyon	shower	21
Madeira	fair	25
Madrid	fair	24
Majorca	fair	27
Malta	thund	28
Manchester	rain	14
Manila	thund	31
Melbourne	rain	12
Mexico City	shower	23
Miami	thund	32
Milan	fair	21
Montreal	rain	19
Moscow	rain	10
Munich	cloudy	18
Nairobi	sun	27
Naples	cloudy	25
Nassau	sun	32
New York	thund	29
Nice	fair	22
Nicosia	sun	34
Oslo	rain	12
Paris	shower	18
Perth	cloudy	19
Prague	cloudy	18
Rangoon	cloudy	31
Reykjavik	cloudy	11
Rio	sun	24
Riyadh	sun	41
Rome	fair	24
S. Frsco	fair	22
Seoul	fair	29
Singapore	thund	31
Stockholm	rain	9
Strasbourg	shower	18
Sydney	shower	12
Tangier	fair	26
Tel Aviv	sun	35
Tokyo	rain	27
Toronto	shower	18
Tunis	fair	28
Vancouver	fair	20
Venice	cloudy	22
Vienna	cloudy	21
Warsaw	cloudy	17
Washington	fair	29
Wellington	fair	13
Winnipeg	cloudy	19
Zurich	shower	17

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday September 15 1993

INSIDE

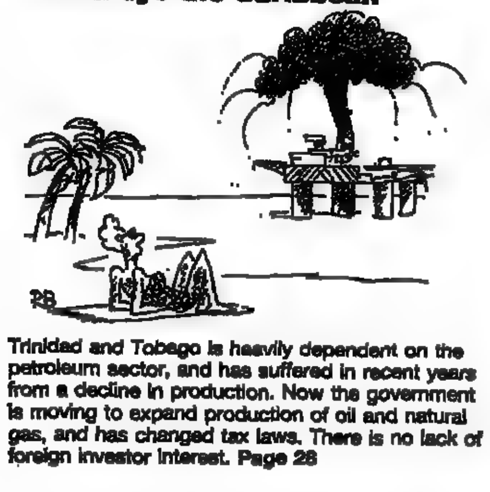
Spain to create huge gas group

The Spanish government is preparing to create one of the largest natural gas companies in Europe. Gas Natural, the national domestic gas distributor 45 per cent owned by Repsol, the state controlled energy group, is to buy Enegas, Spain's monopoly industrial gas supplier, which is fully owned by the state. Page 20

Tidal wave of US funds

US fund managers indulged in a "a minor tidal wave" of international investment in the first half of this year. Page 21

Oilmen eye the Caribbean



Trinidad and Tobago is heavily dependent on the petroleum sector, and has suffered in recent years from a decline in production. Now the government is moving to expand production of oil and natural gas, and has changed tax laws. There is no lack of foreign investor interest. Page 28

Taylor Woodrow back in profit

Taylor Woodrow, the restructured UK construction group, returned to profit in the first half posting pre-tax profits of £10.1m ($15.5m) compared with a restated £16.9m pre-tax loss in the year-ago period. Page 24

Trinity enfranchises investors

Trinity International, the fast-expanding UK regional newspaper publisher, is to enfranchise its ordinary shareholders. This will end the voting structure which has made it immune from takeover since it floated as the Liverpool Daily Post & Echo in 1904. Page 24

Equities give a thriller in Manila

Philippine equities have enjoyed a rally recently as foreign investors have been active buyers. In the past week the index has hit a succession of record highs. Analysts see the "excess liquidity" in the financial system as a factor that could favour the market over the short term, even if a rise in interest rates soon could provide a damper. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Colonia Konzern	1320	+	65
Douglas Hldg	569	+	9
Herlitz	312	+	7
Varta-West	372	+	7
Falls			
Asko	748	–	19
Porsche	632	–	8
NEW YORK ($)			
Falls			
AIG	63⅞	–	⅞
Compaq	55¼	–	1
Delta Air	52¾	–	1¾
Home Depot	37⅞	–	3⅜
Paramount	82	–	2¾
United Air	143¾	–	2¾
PARIS (FFr)			
Rises			
Air Liquide	785	+	11
Docks De France	823	+	12
Gaumont (Soc N)	875	+	30
Promodes	897	+	18
Vallourec	224	+	7
Falls			
Immobanque	871	–	14
TOKYO (Yen)			
Rises			
Inax	1040	+	40
Falls			
Hitachi Metals	1020	–	30
Koyo Seiko Co	751	–	24
Kumagai-Gumi	495	–	22
Ricoh	758	–	37
Shiseido	1240	–	60

New York prices at 12.30pm.

LONDON (Pence)			
Rises			
Domestic & Gen	1700	+	50
Greenwich Comm	18	+	4
Heywood Wllms	352	+	14
ISA Int	115	+	5
Kalamazoo	79	+	7
Polypipe	144	+	6
Rolfe & Nolan	254	+	9
Scholes	170	+	5
Wickes	103	+	7
Falls			
Cannon St Invs	33½	–	2½
Delta	511	–	43
French Connctn	137	–	38
HTV	67	–	5
Harrington Kl	234	–	13
Hazlewood Fds	174	–	8½
Heath (C. E.)	386	–	14
Hewitt	197	–	11
Hogg Group	218	–	8
Northern Foods	273	–	6
Porter Chadburn	25	–	6
Steel Burrill	161	–	55
Utd Friendly B	635	–	42

Lafarge to make FFr2.5bn global issue

By John Ridding in Paris

LAFARGE Coppée, the French company that is one of the world's largest building materials groups, is seeking to capitalise on the strength of international stock markets through a share issue worth about FFr2.5bn ($446m).

Mr Bertrand Collomb, chairman, said the proceeds of the share issue, announced yesterday, would be used to contain the level of the group's debt while it expanded in rapidly growing markets. He said the issue would not dilute earnings per share, even in the short-term, because of the reduction in financial charges.

The announcement of the share issue coincided with the release of the group's results for the first half of the year. Net profits were stable compared with the first six months of 1992, slipping 0.3 per cent to FFr693m. Sales of FFr14.3bn were 5 per cent down on the same period.

Shares in the the company rose sharply yesterday, by FFr8.3 to FFr422.3. Market analysts in Paris said this was because the profits were stronger than expected while the share issue was smaller than anticipated.

The new shares will represent about 10 per cent of the group's capital. The shares will each have a warrant attached, with two warrants giving holders the right to a further share. A bonus share for every 10 shares held will also be issued by the end of the year.

Mr Collomb said the company had decided against a rights issue to attract foreign investors and to enable the shares to be offered simultaneously on international markets. The shares will be issued in Paris, London, Frankfurt, Madrid and Barcelona.

The terms and pricing of the issue will be set next Monday, subject to market conditions. The company said it wanted to move quickly to take advantage of the rally in French and international stock markets and to pre-empt the French government's privatisation programme.

The programme will be launched with the sale of the state's 73 per cent stake in Banque Nationale de Paris within the next few weeks.

Mr Collomb said the company's performance in the first half of the year showed resilience in the face of depressed European markets. Analysts forecast stable full-year net profits of about FFr1.25bn.

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Seat board warns of big loss despite rescue package

By Kevin Done, Motor Industry Correspondent

SEAT, the Spanish subsidiary of the Volkswagen group, warned yesterday that it expected to suffer a loss of around Pta100bn ($784m) this year.

The announcement followed a crisis meeting of the Seat board, which agreed a Pta120bn financial rescue package.

The meeting was called to discuss the company's deteriorating financial position, which is likely to be a significant factor in ensuring that the Volkswagen group will report a loss for the full year.

Mr Ferdinand Piëch, the embattled chairman of the VW management board, had insisted earlier this year the group would succeed in breaking even for the full year despite suffering a DM1.6bn ($980m) loss in the first six months.

However, the VW supervisory board was forced to admit earlier this month that the group's financial performance was being burdened by problems at Seat as well as in North America and in the Asia-Pacific region. It forecast a profit for the full year only for the VW parent company.

Volkswagen agreed a financial rescue package for Seat yesterday, centred on its takeover of some of the main assets of the Spanish subsidiary.

In deals worth around Pta120bn Volkswagen is taking over directly Seat's plant at Pamplona in northern Spain, which manufactures the VW Polo small car range, as well as Seat's Spanish finance company, Fiseat.

At the same time Seat management has been ordered to draw up an emergency plan for returning the company to profit "by all necessary measures including cuts in the workforce".

Seat said its financial performance had been hit by a series of factors including the sharp devaluation of the peseta, which had fallen by 30 per cent against the D-Mark in the past 12 months.

The devaluation had both greatly inflated Seat's debt burden – it has borrowed heavily in D-Marks to finance the building of its new 350,000-a-year car plant at Martortell near Barcelona and to renew its product range – and had also substantially increased the costs of its materials and components purchased from Germany.

Purchase of Darty helps Kingfisher to 30% increase

By Neil Buckley in London

KINGFISHER, the retail group that includes Woolworths, B&Q, Comet and Superdrug, showed it was reaping the benefits from its purchase of Darty, France's largest electrical retailer, as it announced a 30.6 per cent interim profit increase.

Pre-tax profits for the six months to July 31 rose from £62.8m to £82m ($126m) – towards the upper end of expectations – including a £16.1m contribution from Darty since the acquisition was completed at the end of May. Excluding Darty, profits increased 8 per cent.

Sir Geoffrey Mulcahy, chairman, warned that retailing in the UK would continue to be highly competitive with increasing pressure on margins. "But we have seen a somewhat firmer undertone to sales in recent months."

Sir Geoffrey claimed success for Kingfisher's strategy of lowering prices to drive up volume, with retail turnover excluding Darty rising 9.4 per cent and all four UK chains increasing market share. But he said Kingfisher faced a period of volume increases outstripping profits growth, while the group completed the "virtuous circle" by improving merchandise and service, cutting costs and increasing productivity.

The impact of the Mulcahy strategy was clearest at B&Q, which has adopted an "everyday low prices" campaign for 500 items, accounting for about 20 per cent of sales. Turnover rose 8.5 per cent to £600m, but profits rose only £1.5m to £41.6m.

At Superdrug, which has cut prices on some products, sales rose 4.4 per cent to £290m, with profits unchanged at £12.8m. Woolworths saw sales rise 12 per cent to £514m, with profits rising from £0.8m to £2.1m, while Comet increased sales 13 per cent to £210m, and turned a £0.5m loss into a £0.7m profit. Chartwell Land, the property arm now focusing on retail property for the Kingfisher group, lifted profits from £17.5m to £19.5m.

The £16.1m contribution from Darty was in line with expectations, but Sir Geoffrey warned that sales had declined in recent months, and little improvement in the French electricals market was likely until next year.

Group turnover, including £155m at Darty, increased 17.7 per cent to £1.83bn. Earnings per share rose 18.3 per cent to 10.2p, and the interim dividend was lifted to 4.4p (from 4.2p).

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Richard Lapper reports on the international reinsurance market

When disasters lead to riches in Bermuda

International investors have been gripped by enthusiasm for the catastrophe reinsurance market in recent months. A string of new ventures has brought more than $3bn in new capital to Bermuda, the Atlantic island whose loosely regulated and tax-free offshore market has been the focus of much recent activity.

The current boom ought to be relatively long and very profitable. With the departure of up to 200 reinsurance companies because of recent catastrophe losses, rates have increased sharply.

However, many in the industry are already warning that expansion has been too quick and that the rapid supply of capital into the market could lead to a resumption of rate competition. Mr Angus Runciman, analyst with BZW, says: "The speed with which the fresh capital has been sucked in is alarming. It could end in tears."

Rates for catastrophe reinsurance initially rose steeply in 1990 and 1991 after billion dollar losses sucked up to $10bn in capital from the industry. Many leading players – including the Gooda Walker and Feltrim Lloyd's syndicates – were eliminated, reducing competition among the suppliers of high-level covers and destroying the so-called "spiral" market, where reinsurers offset their own exposures with each other.

Two losses in particular – a typhoon in Japan in 1991 and Hurricane Andrew in the US last year – have given impetus to the upswing, strengthening the hand of underwriters and allowing them to force through price increases.

Mr Charles Skey, a veteran London underwriter now working with a new Bermudian company, Mid-Ocean, says that rates are "the best I have ever seen in 28 years of underwriting. We've never had rates at these high levels in four of the biggest markets – Japan, Australasia, North America and the UK – at the same time".

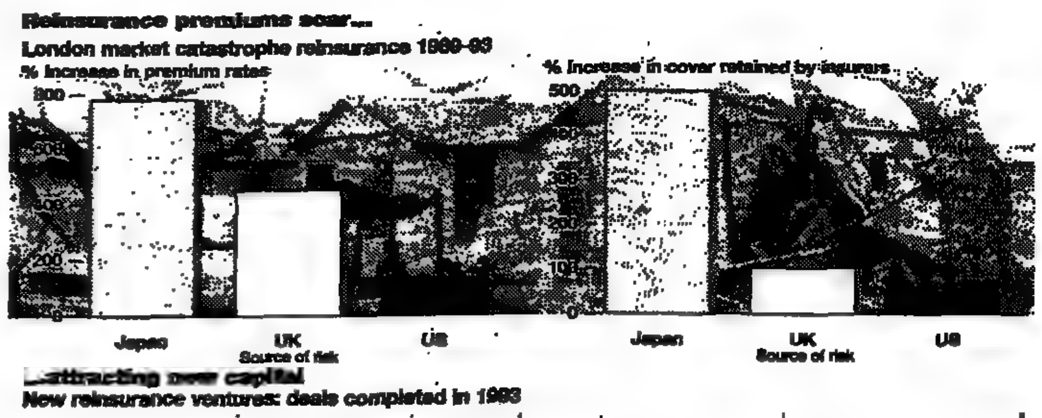
Over the past four years catastrophe rates for Japanese insurers have risen more than 700 per cent, while buyers in other markets have seen rates at least double or triple.

Andrew in particular, which with losses of more than $15bn is the US's costliest natural disaster, has been a decisive factor prompting some reinsurance companies to leave the market. "Andrew made people sit up and realise the size of the numbers we are potentially talking about," says Mr Runciman.

Mr Michael Butt, the former head of Eagle Star who took over as Mid-Ocean chief executive in April, says the sudden shrinkage of capacity in London accelerated the pace of developments in Bermuda.

Reinsurance premiums soar...

London market catastrophe reinsurance 1989-93



...attracting new capital

New reinsurance ventures: deals completed in 1993

	Lloyd's corporate capital	Bermuda and other	Total	Business	Sponsors
Renaissance Re		$140m	$140m	Property catastrophe	USF&G
Starr Excess (Safe Holding)		$100m	$100m	Excess liability	AIG 24% & General Re 10% $100m paid but $500m committed
IPC		$300m	$300m	Property catastrophe	Sponsored by AIG (24%)
Mid Ocean Re		$250m	$250m	Property catastrophe	Marsh & McLennan and JP Morgan
[illegible]	$70m		$70m		Marsh & McLennan will write 20% quota share of [illegible] syndicates
Zurich Centre		$640m	$640m	Brokered reinsurance	Zurich and Fund America with $340m together
Liberty Mutual	[illegible]		[illegible]	London market	London market subsidiary of Liberty Mutual (US) and run by Richard Hazell
Total	[illegible]	[illegible]	[illegible]		
13 other ventures planned	$445m	$3,355m	$4,000m		Source: Harvey Bowring, BZW.

Marsh McLennan, the world's biggest insurance broker, and JP Morgan, the merchant bank, sponsored Mid-Ocean's formation last November with capital of $350m. Less than a year later the company has already been to the US capital markets to raise an extra $325m, has reported its first profits and is preparing to step up the scale of its activities.

Since the summer, US and overseas investors and insurance companies been launching new ventures at the rate of almost one a week in Bermuda. There have been initiatives by American International Group, the world's biggest insurer, and General Re, the US's biggest reinsurer. Last month's decision by Swiss Re, the world's second biggest reinsurer, to join forces with New York investor, Mr John Head, to raise up to $850m for a new Bermudian venture, is seen as an important show of confidence for the Bermuda market.

London too has benefited. At least three new reinsurance companies have been formed this year and the lure of profits is encouraging institutional investors to look seriously at backing new corporate members at the Lloyd's market.

Mr Butt suggests that the scale of capital formation will be insufficient to reintroduce rate competition, dismissing comparisons with the early to mid-1980s, when a wave of speculative capital flooded into London.

New Bermudian companies are using their capital more cautiously than was typical in London in the 1970s and 1980s, by underwriting a maximum of 50 cents of premium for each dollar of capital, giving them solvency ratios at least twice as high as was common five years ago.

Reinsurers are also now tending to underwrite what the market calls bigger "net lines", retaining more exposure on their own books. Mr Butt expects the demand for catastrophe reinsurance could increase as a result of trends in the proportional reinsurance market (where reinsurers accept a proportion of premium from a direct insurer in return for the same proportion of exposures less a ceding commission), especially in Europe.

Big European reinsurers such as Munich Re and Swiss Re which dominate this market are placing limits on the amount of catastrophe exposure they are prepared to accept in proportional deals, forcing many European insurers to buy more catastrophe cover and lending support to upward rating trends.

Nevertheless many in the industry remain unconvinced that the new capacity will not affect rates. There are already isolated reports that brokers are attempting to use the threat of competition to obtain better rates and although Bermudian companies have so far tended to write "following lines", underwriting portions of risk but leaving lead underwriters in London to determine rates and conditions, this could begin to change next year.

Some of the new Bermudian capital is out to make short-term profits. Next year if some of these companies find they are writing insufficient premiums they may start to "press rates down", suggests one analyst.

"At the moment the new Bermudian companies are swimming alongside the whales. But how long will it be before they want to make waves of their own?" asks Mr Runciman.

Delta shares fall as group douses hopes of recovery

By Andrew Bolger in London

SHARES in Delta fell 8 per cent after the UK cables and engineering group became the latest industrial company to disappoint the market's hopes of recovery.

The group said: "The UK recovery as far as manufacturing is concerned remains more anaemic than many observers suggest, and activity in continental Europe has yet to see the benefit of progressive interest rate reductions."

Delta has cut its workforce by a third since 1989 and had been identified as one of the companies best placed to benefit from any upturn. The shares were marked up sharply in the spring, but yesterday fell 43p to 511p after the group announced a small drop in profits.

Mr Geoffrey Wilson, chairman, said that in April he had seen renewed signs of a slow, if patchy, recovery except in continental Europe: "This pattern has persisted with continental European markets remaining depressed and any recovery in the UK and Australia being limited to specific sectors of the economy."

Pre-tax profits fell from £30.97m ($47.58m) to £29.11m in the six months to July 3, in spite of a 6 per cent increase in sales, from £402m to £423m.

Mr Wilson said exports from the UK rose 14 per cent from the already high levels reached last year to a new record of £83.8m, greatly helping to offset low domestic demand. Currency translation added £1.25m to the profits figure. Earnings per share dipped to 12.5p (from 12.7p), but the interim dividend was held at 4.2p.

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San Paolo stock falls on news of banking link-up

By Haig Simonian in Milan

SHARES in Istituto Bancario San Paolo di Torino, Italy's biggest banking group in asset terms, fell sharply yesterday as investors digested details of the merger with two quoted subsidiary banks announced on Monday night.

Stock in San Paolo, which was floated in January, dropped by almost 5 per cent to L10,272. By contrast, shares in Banco Lariano climbed by 4.4 per cent to L4,750 while Banca Provinciale Lombarda rose by just over 3 per cent to L4,010.

The merger will confirm San Paolo's position as Italy's dominant banking group, with total assets of about L200,000bn ($130bn) and almost 1,000 branches. However, the bank is expected to maintain the separate trading identities of its three operations to retain customer loyalties. Both Como-based Banco Lariano and Bergamo-based BPL are situated in the wealthiest parts of Lombardy, Italy's richest province.

Shareholders in BPL will be offered 10 San Paolo shares for every 24 shares held. The swap ratio for Banco Lariano shares involves 10 San Paolo units for every 21 shares currently held.

The share price movements caused little surprise among analysts, who said the terms had been devised to encourage shareholders in the subsidiaries to take up the offer. If all shareholders agree, the proportion of San Paolo's capital which is floating will rise to about 26 per cent from about 22 per cent at present.

The amalgamation is predominantly tax-driven, with San Paolo taking advantage of a special Italian law to encourage bank mergers by granting substantial tax breaks for a number of years. The San Paolo group is expected to save about L70bn a year between 1993 and 1995 once the deal is completed.

Separately, the three banks have also reported first-half earnings. San Paolo said net earnings amounted to L213bn, while Banco Lariano reported net profits of L70bn and BPL net profits of L67bn. None of the banks provided comparable figures for the previous year.

San Paolo is likely to need all its tax savings to offset a severe rise in bad-debt provisions this year owing to the recession. The bank is believed to be heavily exposed to the troubled Ferruzzi group, and is also among the principal lenders to a number of other big companies which are now negotiating debt rescheduling pacts with their creditors.

Barco rises 34% on positive US demand

By Andrew Hill in Brussels

NET PROFITS at Barco, the Belgian electronics group, increased by 34 per cent in the first half of 1993 to BFr373m ($10.9m) from BFr279m.

Current profit after tax rose from BFr436m – restated to take account of new valuation rules – to BFr535m on sales of BFr5.12bn against BFr4.94bn. Sales outside the EC make up 41 per cent of total turnover, compared with 36 per cent in the first half of 1992.

The group said it expected the trend towards better results to continue in the second half, in spite of the fact that Europe is suffering from recession. "A slight recovery of the economy can, as in the US, bring with it a significant increase in turnover," the company said yesterday.

Barco said that demand for its products remained positive in the US, which accounts for 27.5 per cent of the turnover in the group's dominant division, manufacturing video display units and projection systems.

Consolidation of goodwill reduced current profits by BFr162m, compared with a reduction of BFr156m last year, but current cash flow rose from BFr963m to BFr1.03bn.

● Almanij, the Belgian financial holding company, will pay a net interim dividend of BFr180 per share at the end of October. The company is extending this financial year to 18 months to bring its accounts in line with those of Kredietbank, the Belgian bank in which it has a substantial stake. In the 12 months to June 30, the group made a profit of BFr1.87bn, against BFr1.71bn in the equivalent period. Kredietbank will announce its interim results tomorrow.

● The European Commission said it had cleared the purchase by Alcatel Cable of the submarine telecommunications systems and satellite television antenna business of the UK's Northern Telecom Europe Ltd a unit of Northern Telecom of Canada, Reuter reports from Brussels.

Spain prepares to merge gas groups

By Peter Bruce in Madrid

THE Spanish government is preparing to create one of the largest natural gas companies in Europe. Gas Natural, the national domestic gas distributor 45 per cent owned by Repsol, the state controlled energy group, is to buy Enegas, Spain's monopoly industrial gas supplier, which is fully owned by the state.

The deal, it is understood, could raise between Pta80bn and Pta120bn ($939m) for the government and help control its billowing public deficit.

The move will transfer control of all of Spain's gas purchasing and distribution to the private sector, reconfiguring the power currently invested in Mr Oscar Fanjul, the president of Repsol.

The purchase, which Gas Natural will probably finance through a capital increase, could be finalised by the end of the year.

Mr Fanjul, who has led a series of partial privatisations at Repsol to the point where the state's stake has dropped well below half, is also chairman of the Instituto Nacional de Hidrocarburos, which controls Enegas.

He has been a firm supporter of faster privatisations than the country's nominally socialist government has been prepared so far to undertake.

Government officials believe that by merging Enegas and Gas Natural, Spain will be able to create a gas company capable of competing at an international level with larger rivals such as Gaz de France and British Gas.

Similar reasoning lay behind Madrid's support in the late 1980s for mergers among the country's banks.

Gas Natural was created in 1991 through a merger of Catalana de Gas in Barcelona and Gas Madrid. The group, controlled by Repsol and La Caixa, the big Catalan savings bank, has since been absorbing domestic gas distributers throughout Spain.

It now accounts for about 40 per cent of the gas sold in Spain and has begun to compete, with other state-backed Spanish corporations, to buy privatised assets in Latin America. Last year, it took control of the natural gas distributor to northern Buenos Aires.

The group made net profits last year of Pta12.3bn and analysts are forecasting profits of nearly twice that in 1995 as gas consumption grows in Spain.

Mr Oscar Fanjul, president of Repsol, set to control both supplier and distributor

According to the state's national energy plan for 1991 to 2000, non-electric gas consumption will grow by 7 per cent a year for the next seven years, doubling its contribution to national energy consumption from 6 per cent to 12 per cent.

Enegas, Spain's only importer of natural gas, is also the only supplier to the urban distributors, now dominated by Gas Natural.

It also supplies gas directly to large industrial users outside the Basque Country and Catalonia. It is building a pipeline to carry gas into Spain from North Africa and account for half the gas sold in the country.

But its commercial fortunes are sometimes hampered by the Gas Protocal of 1985, through which it is required to supply gas to Spanish distributors at a fixed price, whatever it is able to buy at on international markets. In 1991 Enegas reported losses of Pta3.6bn.

This formula is due to be revised in 1995 and it is possible that instead of throwing itself into an exhausting round of regulatory and pricing negotiations with distributors, the government has thought it easier and more profitable to slide Enegas across the table to Mr Fanjul and La Caixa and let them control both supplier and distributor.

● In a further move designed to shore up the government's shaky finances, Argentaria, the pool of state-controlled banks which privatised a part of its stock earlier this year, said yesterday it was in touch with more than 40 national and international institutions in an effort to gauge enthusiasm for a further flotation soon. Argentaria was given cabinet permission earlier this month to float more of its shares.

Crédit Lyonnais to float third of insurance unit

By John Ridding in Paris

CREDIT LYONNAIS, the French banking group, plans to float one-third of Union des Assurances Féderales, its insurance subsidiary, on the Paris second market, the company announced yesterday.

A spokesman for Crédit Lyonnais said that the decision to sell a stake in UAF was part of the group's strategy of raising capital through the listing of subsidiaries.

UAF is valued at about FFr1.6bn ($285m) in Crédit Lyonnais' accounts. A sale of one-third of the group would raise between FFr500m and FFr700m in capital, according to analysts' estimates.

Following its listing, expected by the end of the year, UAF will be one of the biggest companies on the Paris second market. One of France's 20 largest insurance groups, it had turnover in 1992 of FFr8.49bn in life assurance and FFr955m in general insurance. Last year it posted net profits of FFr368m. A spokesman for Crédit Lyonnais said that he expected UAF to increase profits by 10 per cent this year.

Ems-Chemie cautious in spite of 13% advance

By Ian Rodger in Vienna

EMS-CHEMIE, the Swiss speciality chemicals group headed by Mr Christoph Blocher, has reported a 13 per cent rise in operating profits in the first eight months of the year to SFr61m ($43.3m).

However, the group forecast only that operating profits in the full year "should reach at least last year's level". Operating profit last year was SFr92m.

EMS, which sells a large volume of speciality chemicals to the automotive industry, said it assumed that its environment would continue to be difficult.

The recession in Germany, its most important market, was likely to last longer than in other countries, it said.

Sales in the first eight months were down 4 per cent to SFr554m, and the group said full year sales could be slightly below last year's SFr896m.

Warburg appoints head of German securities

By David Waller in Frankfurt

S. G. WARBURG, the London-based investment bank, has appointed Mr Lutz Wille as head of securities for its German operations.

For the past two years Mr Wille, 54, has been chief financial officer of the Colonia insurance group, and before that he spent 20 years at Commerzbank, latterly as head of securities.

The appointment is symptomatic of international investment banks' desire to recruit high-ranking German financiers to help them penetrate the difficult German market.

Warburg has had problems in Germany, recently losing a managing director and its highly rated team of German equity analysts to separate US investment banks.

It has also suffered disruption as it moved its office from Munich to Frankfurt this year.

Greek bank plans rights to fund Balkan expansion

By Kerin Hope in Athens

COMMERCIAL Bank, Greece's second-largest banking group, is seeking to raise Dr49.3bn ($210m) through a rights issue to help it expand into other Balkan markets.

The bank, which has a market share in Greece of about 20 per cent, reported pre-tax profits of Dr14bn for the first half of 1993, up from Dr11.8bn the previous year.

Commercial Bank started restructuring two years ago, disposing of non-banking assets and writing off some Dr14bn in debt owed by public sector Greek companies.

The bank last year sold a loss-making shipyard to a London-based Greek shipping company and a small banking subsidiary, Bank of Piraeus, to a group of Athens businessmen.

It is considering a merger with Ionian Bank, another, profitable, subsidiary, which has also undergone restructuring. The move would raise the group's local market share to over 25 per cent and add another 100 branches to its Greek network.

Another subsidiary, Investment Bank, is being liquidated. Most of its assets, amounting to around Dr19bn, will be divided between Commercial Bank and Ionian Bank, the two main shareholders.

Commercial Bank's two-for-five issue is being made at Dr8,500 per share, close to book value. Once the issue is completed, later this month, one bonus share will be offered for every 10 old shares held.

About Dr30bn of the funds raised will be used to set up branches in Romania and Bulgaria by next year. The bank also plans to become the first Greek commercial bank to operate in Turkey.

Austrian construction group to raise Sch850m

By Ian Rodger in Vienna

BAU HOLDING, Austria's largest construction group, is raising around Sch850m ($75m) in a one-for-six rights issue of ordinary voting shares to ordinary and preferred shareholders.

The family controlled group, which has been expanding rapidly in eastern European markets, plans acquisitions in the Czech Republic and Slovakia to consolidate its position there.

Bau is the second Austrian construction group to seek new equity in recent months, arch-rival Maculan having raised Sch695m in late June, also to finance eastern European expansion. Maculan has tended to concentrate its expansion in eastern Germany while Bau has spread its interests more widely.

The Haselsteiner family and a few associates, who hold 73 per cent of the unlisted 3.4m ordinary voting shares, are not taking up their rights, so their position will drop to about 58 per cent following the issue. All other ordinary shareholders, mainly an Austrian bank and a few Bau executives, have also waived their rights.

Their shares will be placed by Bank Austria and S. G. Warburg in domestic and international markets. It is agreed that about half of the total issue, that is, 450,000 shares, will be placed internationally.

The 1.7m non-voting preferred shares are held widely following a flotation in 1990. Bank Austria is also underwriting the 280,500 new ordinary shares in the rights issue allocated to them.

The price of the rights shares is to be fixed on September 22, and is expected to be close to the current Sch1,000 market price of the preferred shares.

INTERNATIONAL COMPANIES AND FINANCE

Sharp increase in foreign investment by US funds

By James Blitz, Economics Staff

US FUND managers indulged in a "a minor tidal wave" of international investment in the first half of this year, compounding the process by which national barriers are breaking down in the world's financial markets, according to a leading analyst of institutional investment.

A report issued by InterSec Research Corporation*, a US-based consultancy which specialises in monitoring asset allocation by fund managers, claims that there has been a surge in the purchase of overseas bonds and equities by institutions such as pension funds.

InterSec reports that the total value of US tax-exempt assets with international and global mandates rose by nearly $50bn in the first half of 1993, from $154bn to almost $200bn.

This investment is a sharp increase on US fund managers' investments overseas in 1992, which saw an increase over the whole year of only $30bn.

The report suggests that some of the increase may have been due to the strength of overseas equity and bond markets. But although this may have been responsible for a significant proportion of the investment, InterSec says that net cash flows (new money less withdrawals) still amounted to $18bn in the first half.

"This is an unprecedented mid-year number," the report says. "1992's net flows for the entire year were an all-time high of $22bn."

US fund managers have traditionally been more conservative than their European and Japanese counterparts when considering whether to make investments overseas.

About 8 per cent of Japanese pension fund assets are invested outside Japan, while 26 per cent of UK assets are invested in non-UK markets.

However, analysts anticipate that interest in non-domestic investments will grow faster in the US than in other countries.

The report claims that there were signs in the first six months of this year of a larger proportion of US fund managers' money being invested in equities than had been the case in 1992.

Of the net new money allocated to active international and global mandates in the first six months of this year, only 18 per cent went into fixed-income mandates. At the end of 1992, the market share of fixed-income investments was 23 per cent, while equities absorbed the remaining 77 per cent.

The general increase in international asset allocation has strong implications for currency market dealing. Banks dealing in foreign exchange find they are making increasingly large returns by managing the exposure of internationally-held assets to exchange rate movements.

InterSec Research Corporation, 66 Gatehouse Road, Stamford, Connecticut 06902

Citibank sees revival in consumer banking

By Richard Waters in New York

CONSUMER banking profits at Citibank, the US banking group, will be "substantially higher" this year than last, due mainly to falling levels of bad debts in the US and cost-cutting, Mr Pei-Yuan Chia, head of consumer banking, said yesterday.

He added, though, that recession in Europe and the slow economic recovery in the US was holding back income growth.

"Revenue growth is still not very robust. It is anaemic. But the bottom line will be very good."

Citibank's consumer business generated record net income of $941m last year after bad debts had dragged it down to $530m in 1991.

The biggest improvement has come in the US market, largely as a result of declining credit losses on credit cards and other products, Mr Chia said.

Although he declined to disclose figures, Mr Chia said that the bank's write-off ratio was back to the "reasonable" level it had been at before 1991.

Increasing competition in the US credit card business is likely to reduce revenues in that sector by between $200m and $300m, as the bank spends more on marketing and reduces its fees in order to keep customers.

"We have lost market share. Our aim is now to defend our share. If that means lower margins, so be it," Mr Chia said.

Mr Chia's up-beat assessment came as Citibank announced plans to complete the remodelling of all 1,400 of its branches around the world over the next two years.

The aim of the programme is to increase the revenues earned by the branches – which currently generate 40 per cent of the consumer bank's revenues – rather than to reduce costs or improve productivity, said Mr Chia.

Most of the bank's branches in Asia and many in Europe have already been revamped, and the remodelling programme is now being accelerated in the US.

Biotechnology back to rude health

Survey paints rosy picture of the US industry, writes Clive Cookson

THE biotechnology industry is "surprisingly healthy" after a difficult year, according to a comprehensive survey of almost 1,300 US biotech companies.

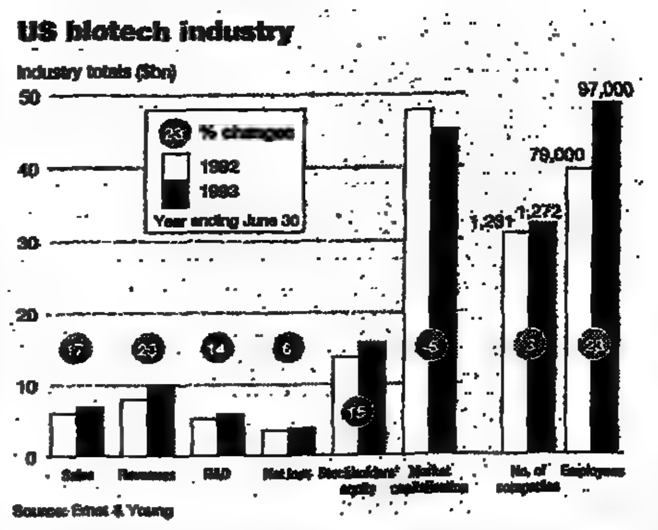
The annual survey by Ernst & Young, the US consultancy, shows total revenues up 20 per cent to $10bn for the year to June 30 1993, compared with $8.3bn in the previous 12 months. Product sales amounted to $7bn (up from $6bn), and the remaining $3bn came from licensing and research fees.

The total market value of the biotech industry fluctuated wildly during the period. It declined by 30 per cent and then rallied to end at $45bn, just 6 cent down on the previous year's $48bn.

But Wall Street treated the biotech sector rather better than the mainstream pharmaceutical industry, and its total capitalisation overtook that of Merck, the largest drug company, for the first time.

Seven new drugs produced by genetic engineering received approval from the Food and Drug Administration during the year, including Factor VIII for haemophilia and Betaseron for multiple sclerosis.

Twenty genetically engineered drugs are already on the US market. The two best-sellers both come from Amgen, the most successful biotech company so far: Neupogen and Epogen had sales of $544m (up 134 per cent) and $506m (up 24 per cent) respectively.



Behind them, Ernst & Young estimates that the industry has 270 drugs in clinical trials and 2,000 at earlier stages of development. "One hundred represent truly novel substances with no precedent in medical therapy," the report says.

Ernst & Young concedes that there may be as much biotechnology R&D going on within traditional pharmaceutical companies as in the specialist biotech industry (up to $5.7bn from $5bn). "Even so, biotech companies produce drugs far more efficiently. According to our survey, biotech companies' average development cost [for a new drug] is $125m versus $230m for the pharmaceutical industry. Biotech companies are leaner, more flexible, and attract talents that would not flourish as well in more traditional corporate structures."

Yet investors' faith in the industry has been damaged by setbacks to well-publicised biotech drugs in the final stages of development, such as two treatments for septic shock (Centocor's Centoxin and Synergen's Antril).

The view of Ernst & Young is that investors operate a double standard: "For big pharmaceutical companies, clinical trial tribulations are business as normal. Yet the financial markets expect biotech's clinical trials to be linear and predictable."

Fears that the Clinton administration's healthcare reforms will do disproportionate damage to biotech have also damaged market sentiment.

As a result, the industry managed to raise only $5.2bn in new funds, compared with $6.5bn in the previous year. The sharp fall in new equity offerings on the stock market was partly balanced by a revival in private and venture capital funding.

Although the overall tone of the Ernst & Young report is upbeat, the authors do express concern about the "feverish" rate at which many biotech companies are burning cash. "The number of public companies with less than two years cash is alarming, while capital sourcing is less predictable than ever," they say. "More than ever, biotech CEOs are compelled to engineer creative financing methods."

Viacom stock falls on news of chief's deal

By Richard Waters

SHARES in Viacom, the cable television operator which is seeking to buy Paramount Communications, fell sharply yesterday as it emerged that chairman Mr Sumner Redstone had been a big buyer of his company's shares in recent months.

The slide pushed down the value of Viacom's bid, mainly for shares, to $7.6bn from $8.2bn at the time the deal was announced at the weekend, apparently increasing the chance that a rival bidder for Paramount may step in.

Viacom said that Mr Redstone's purchases "complied with all applicable laws and regulations". The purchases "had been fully disclosed to Paramount" and were "never intended to affect the price of Viacom stock", it added.

In New York, Viacom's B shares fell $2¾ to $54⅝ yesterday morning, while its A shares slid $3⅛ to $61. Paramount shares fell $2⅝ to $81⅞.

American Airlines to cut 5,000 jobs

By Martin Dickson in New York

MR Robert Crandall, chairman of American Airlines, underscored continuing cost-cutting in the loss-making US airline industry yesterday when he announced that the company planned to eliminate 5,000 jobs by the end of 1994.

The job losses, to come through attrition, early retirement and lay-offs, include cuts of between 200 and 300 managers which the airline announced recently. American currently employs 97,000.

Mr Crandall also told an analysts' conference in New York that the company would be grounding 11 more DC-10 aircraft, in addition to 31 it recently grounded. Four would be in 1994 and the remainder in 1995-98. However, it did not expect this to involve any charges against earnings.

American's capacity, measured in available seat miles, would be down 4.5 per cent in 1994, compared with this year.

Mr Crandall said American would welcome an employee stake in the company.

This would presumably be in return for concessions by labour, following the lead set by troubled Northwest Airlines, where employees have agreed to make some $886m in concessions in return for stock.

At United Airlines, labour leaders are considering a buy-out bid for the company which would also involve large cost concessions.

Mr Crandall said it would be "a good thing" if investors and employees in AMR – the parent of American Airlines – were one and the same. However, he added that the company had not been approached by any of its labour groups for a stake in the business.

On Monday, the carrier's pilots told analysts that structural problems, not labour costs, had caused the large losses suffered over the past two years. They said the airline should consider modifying the so-called "hub and spoke" route system which most of the US airline industry uses.

Canadian court may hold key to outcome of McCain brothers' feud

By Bernard Simon in Toronto

THE McCAIN frozen foods empire urgently needs a new chief executive if it is not to lose the confidence of customers, suppliers and employees, says one of the two feuding brothers who head the family-owned Canadian company.

In an affidavit filed in a New Brunswick court, Mr Harrison McCain outlines an increasingly hostile relationship with his brother and co-chief executive Wallace, which has reached the point where the two are unable to agree on important business decisions.

The court is due to hear an application by Wallace next week seeking to overturn a decision by other family members to oust him as joint chief executive by September 30.

The 33 McCain family shareholders have resorted to litigation after failing to resolve differences over top-management succession, and over various offers and counter-offers for each other's shares in the C$3bn-a-year business.

Wallace's branch of the family owns about one-third of the shares of McCain Foods. The remainder is split between Harrison's family and the children of two dead brothers.

Harrison alleges in his affidavit that bad blood between himself and Wallace dates back to Wallace's unilateral decision three years ago to appoint his son Michael as head of McCain Foods' US subsidiary.

Wallace, aged 63, alleged in an earlier affidavit that Harrison, who is two years older, has sought to speed up the search for a new chief executive since suffering a heart attack early last year. Wallace favours maintaining the present arrangement of joint chief executives until a group of outside directors can identify a suitable successor.

Harrison responds that "it seems absolutely incredible to me that Wallace thinks that he and I could function at all as co-CEOs while we are fighting each other in the courtroom".

Harrison also dismisses a proposal by Wallace to split McCain Foods into two roughly equal parts, with one covering the Americas and the Pacific Rim, the other the UK and European businesses. "To divide the operating company in any way would put both parts at risk in every market," he says.

Argentine phone group outlines expansion plans

TELEFONICA de Argentina, the Argentine telecoms group, expects capital expenditures to reach about $1bn in the year to September, up from an average annual projection of about $700m, a company official told a conference yesterday, Reuter reports from New York.

Mr Eduardo Arrotea Molina, director of investor relations and risk management, also said the company expected capital expenditures of about $800m to $900m in fiscal 1994.

Telefonica de Argentina, which provides telecommunications services to the southern half of Argentina, also plans to expand its network by more than 70 per cent by 1997 to 20 lines per 100 inhabitants, compared with 13.4 lines per 100 inhabitants as of June 1993.

Politics of money dominates Kuala Lumpur

Kieran Cooke on accusations that business deals are used to further Malay interests

Earlier this year, the Kuala Lumpur stock market was set ablaze by a sudden surge in the shares of Union Paper Holdings, a small Malaysian company producing toilet paper and joss sticks.

This stratospheric rise to M$23 from M$1.73 was triggered by rumours that Union was about to be taken over by a co-operative linked to the United Malays National Organisation (UMNO), the political party which has dominated Malaysia's government since independence in 1957.

But the takeover soon proved to be an illusion, and Union's shares dropped to earth. They were subsequently suspended, and many shareholders lost heavily. The Union fiasco highlights the influence of politics – and in particular of UMNO – on Malaysia's corporate community.

"Union Paper is only one example of the way many investors here make decisions solely on political grounds," said one Kuala Lumpur broker. "Company fundamentals are often ignored. The trouble is that the local speculators are often proved right: political connections, mainly to leading figures in UMNO, are a vital element in a large number of business deals."

At around US$105bn, the capitalisation of the Malaysian stock market is bigger than Taiwan, South Korea and Singapore. Analysts point out that funds from abroad, encouraged by Malaysia's economic growth, have been flooding into Malaysian stocks recently. Yet often outsiders are ignorant of local political considerations.

UMNO's corporate power and influence grew in tandem with a government programme called the New Economic Policy (NEP), which was inaugurated in the early 1970s.

At that time the Chinese, who make up about 35 per cent of the population, controlled most economic activities in the country.

The NEP was designed to give "bumiputras", or indigenous Malays, who account for about 50 per cent of the population, a greater share in the country's wealth.

They were favoured in government jobs, in education and in business.

UMNO, the party of the Malays which has traditionally controlled all senior government posts, used its political clout to further Malay business interests. In the process, UMNO itself became directly involved in the corporate sector.

By the mid-1980s, UMNO controlled a complex web of businesses which stretched into most areas of the economy. Through the Fleet Group, UMNO's investment holding company, the party owned the New Straits Times Group, the country's leading newspaper and publishing group.

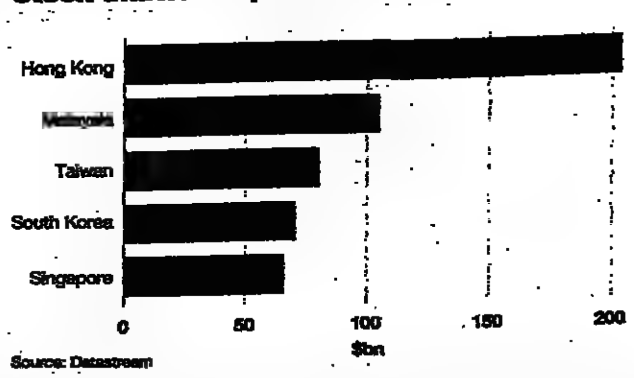
In 1988, United Engineers Malaysia (UEM), another UMNO company, was awarded what was then Malaysia's biggest infrastructure project - the M$3.4bn ($1.34bn) contract for the privatisation of a highway running the length of peninsular Malaysia.

More recently, UEM won a multi-million dollar contract to build a new link between Malaysia and Singapore.

Party assets were transferred to trustees following a split within UMNO in 1988. Since that time, the party's extensive business shareholdings have been dispersed among various groups and business people, most of them seen to be closely connected with the UMNO Baru party, or new Umno, led by Dr Mahathir Mohamad, Malaysia's prime minister.

The Renong group, a listed holding company which now controls one of Malaysia's biggest conglomerates, was the main vehicle for the transfer of UMNO corporate assets.

Stock Market Capitalisation



Source: Datastream

Mr Daim Zainuddin, a former finance minister and now UMNO treasurer, is adamant that since 1988, UMNO has had no business interests. "I categorically state and place on record that UMNO is not involved in any business," said Mr Daim earlier this year. "It does not own any company, nor shares in any company."

Mr Terence Gomez, a Malaysian academic who has made an extensive study of UMNO's corporate investments, says that while it might be correct to say that UMNO no longer has direct control of companies, the connections are still there.

"Umno patronage has led to the formation of very powerful business conglomerates," says Mr Gomez.

"Now a stage has been reached when a business elite, made up of bumiputras and their Chinese partners, and with close connections to leading politicians, is able to dominate a large segment of corporate life. It can also seriously influence stock market behaviour."

The topic of "money politics" has hit the headlines in Malaysia recently as different factions within UMNO line up for battle.

Mr Anwar Ibrahim, the present finance minister, is challenging the position of Mr Ghafar Babar, the UMNO number two, in party elections due in early November.

Whoever wins the race is seen as the likely successor to Dr Mahathir as UMNO president, and next in line to be prime minister.

Opponents accuse Mr Ghafar of plundering state bodies for campaign funds, while Mr Anwar is said to have raised a substantial election war chest from the corporate sector.

Mr Anwar is generally believed to have assisted the recent rise to prominence of Malaysian Resources Corp. MRCB, with little experience in the power sector, has become the lead partner in a project to build, own and operate a M$3.5bn power plant.

The company also played a key role in a M$800m management buyout of the New Straits Times group and the country's only independent TV station from Renong earlier this year. Mr Anwar denies he was suspicious of the Renong management's political sympathies. But it is clear the media group, under its new management, has swung solidly behind the finance minister.

Some analysts have become a little uneasy about developments. They say a substantial amount of corporate engineering has been going on, with little apparent benefit to minority shareholders.

Managers of large foreign funds have begun asking questions about their investments in Malaysia's privatised entities, particularly Tenaga Nasional, the electricity utility, and Telekom, the telecommunications service.

They say there is evidence of growing political interference in the operations of these companies, which undermines the privatisation process and could jeopardise long-term prospects.

"There are some noteworthy companies here who get on with business," said one Kuala Lumpur broker. "But for others, political connections are all-important. The system is so entrenched – it's part of the business culture."

Soft shoe start at Lithuanian stock exchange

Matthew Kaminski finds a footwear group making the running on day one

CLINKING champagne glasses, paeans to capitalism and a row of women in folk costume were the main feature at yesterday's ribbon cutting ceremony at the Lithuanian Stock Exchange in Vilnius. Trading volume came a poor second.

Modelled on the French system, the first national stock exchange in the former Soviet Union began with 29 registered brokers and 19 listed securities, including three offering preferred and ordinary shares.

The opening day was, by any standard, quiet with five securities traded for a total turnover of just 1,630 Litas ($408). Silva, a footwear and haberdashery concern, was the hot stock with 285 shares traded at Lts1.05 each.

The Paris bourse, which helped set up the exchange under a FFr5m ($870,000) grant from the French government, has taken a cautious tack.

Securities can rise or fall by no more than 10 per cent between the weekly Tuesday sessions. All transactions will be done by cash trade only on a book-entry basis, with a clearing settlement delay of four days.

The Lithuanian exchange, like the one in the Czech Republic, grew directly out of the mass privatisation programme which has sold 1,586 state-owned enterprises since 1991. Only 18 companies were registered in time for the start of trading, but all companies privatised by public offer eventually will be listed.

Trading volume, in the meantime, is going to stay tiny. Mr Stephane Remus, project manager from the Paris bourse, said the market was intentionally simplified to attract small investors. "If someone expects a million dollar turnover the first year," he said, "they're foolish."

Instead, a weak banking system, shortage of capital and insider trading are possible problem areas. Crime has been a prominent feature of capitalism in the former Soviet Union.

But Mr Remus views bankruptcy, not yet seen in Lithuanian despite the existence of a year-old bankruptcy law, as the biggest threat to engendering public trust in the exchange.

Vilnius hopes to emulate the growth at other east European exchanges. In Warsaw, turnover is now running at $250m per week. Budapest and Prague manage weekly volumes of $5m and $3m respectively.

Next in line is the Kiev exchange, due to open around the New Year.

The Ukrainian government has set up a central depository but has not yet formalised the legal framework needed for trading securities, according to Mr Paul-François Dubroeucq, director for international affairs and development at the Paris bourse.

Lithuania has been an "exceptional success", Mr Dubroeucq said, because legal and economic reform has been synchronised.

At the freshly renovated exchange headquarters, only six of the 29 registered brokers have offices above the main floor.

A lucky one, Mr Vaidas Savukynas, a 24-year-old who seven months ago founded his one-man brokerage, reported a good first day: four deals, worth Lts528 ($132). "Just the beginning," he said.

NEWS IN BRIEF

NATIONAL Commercial Bank, the Saudi bank, is to raise paid-up capital to more than SR5bn ($1.3bn) from SR30.2m, Reuter reports from Manama.

The capital increase plan was completed last year but will be announced when privately-owned NCB's results are published "in the next few weeks," according to Saudi press reports.

NCB, which has not reported audited results since 1989 and which ran into trouble over the collapse of the Bank of Credit and Commerce International, has vigorously denied foreign media reports that its business is threatened.

The press reports did not indicate how the additional capital would be raised. But the bankers said NCB did not plan to go public to raise the capital in Saudi Arabia's stock market. At the end of 1989, NCB had assets of put at the end of 1989 at SR86.6bn.

Sheikh Mohammad, chief executive officer, said last month the bank would soon issue audited 1992 financial results which "will demonstrate the solid foundation and high standing enjoyed by the National Commercial Bank".

■ **AMPOLEX**, the Australian oil and gas exploration company, is to acquire two subsidiaries from Phillips Petroleum, for an undisclosed price, writes Nikki Tait from Sydney.

The companies being acquired – Phillips Australian Oil and Phillips Petroleum International Australia – hold a combined 25 per cent interest in the Harriet field, plus associated exploration acreage in the Carnarvon Basin.

The fields have a gross production rate of about 10,500 barrels of oil and 27m cubic ft of natural gas per day. Ampolex said that the deal expanded its position in the Carnarvon Basin "which has become a core area for the company".

■ **TEN GROUP**, the Australian commercial television network, made a net profit of A$17.3m (US$11.3m) for the 39 weeks ended June, before A$5.0m interest paid on subordinated debentures, Reuter reports from Sydney. The result compares with a profit of A$15.2m in the 50 weeks ended September, 1992.

Treasuries sharply lower on confidence-sapping data

By Frank McGurty in New York and Conner Middelmann in London

US Treasury bonds turned sharply lower early yesterday as news of a greater-than-expected rise in consumer prices, coupled with a modest increase in retail sales, undermined market confidence.

By midday the benchmark 30-year government bond was down 1¼ at 104⅜, yielding 5.953 per cent. At the short end of the market, the two-year note was ⅛ lower at 99⅔, to yield 3.874 per cent.

The expectation of low inflation which has fuelled the bond market's recent rally was undermined by both of the day's main economic reports.

GOVERNMENT BONDS

The August consumer price index, which showed retail prices rising by 0.3 per cent last month, compared with analysts' forecasts of a 0.1 per cent increase. The larger-than-expected figure was especially disappointing after a 0.6 per cent decline in August producer prices.

Concern over higher inflation was reinforced by 0.2 per cent growth in August retail sales, which suggests that economic conditions were more robust than analysts had thought. Retail sales had been expected to be unchanged or show a slight decline.

However, the indication of a more buoyant economy was partly mitigated by a revision in retail sales growth for July to 0.3 per cent, following a 0.5 per cent increase in June. Although this suggests that the pace of consumption is actually moderating, it appeared to have little impact on the negative sentiment dominating the market.

■ CANADIAN government bonds fell steeply on the back of the downturn for US Treasuries, a weak Canadian dollar and political jitters ahead of the October 25 federal elections. Prices were under further pressure as traders prepared for today's auction of some C$1.8bn of 7¼ per cent 10-year bonds.

■ GERMAN government bonds outperformed most of their European counterparts, although they erased most of their early gains to end little changed. The December bund futures contract ended at 98.41, up 0.02 point from Monday.

Bunds are expected to continue range-trading until the release of August M3 money supply numbers, expected early next week. Most analysts are calling for an annualised M3 rate of around 8 per cent, up from 7.4 per cent in July due to heavy currency intervention in August. However, a higher number is widely discounted and unlikely to cause a strong market reaction, traders say.

■ UK GILTS dropped in sympathy with US Treasuries, the five-year paper falling about ½ point and long-dated bonds down nearly a point. But dealers reported little cash market activity, with many investors sidelined before today's inflation data.

Mr Simon Briscoe, UK economist at S. G. Warburg Securities, expects the underlying inflation rate to have risen 0.2 per cent on the month and 2.9 per cent on the year. A number at or above 3 per cent could disappoint the market, he said.

Also subduing sentiment is the Bank of England's imminent auction announcement, expected Friday. Most traders expect the government to start issuing bonds due 2004, which will become a 10-year benchmark next year.

■ FRENCH government bonds ended some ½ point lower. Many traders are looking to Thursday's Bank of France repo allocation for a possible cut in the 6.75 per cent repo rate. They are also waiting for Friday's second-quarter gross domestic product data. Until then, prices are expected to stay locked in a narrow trading range.

■ JAPANESE bonds eased in Tokyo but recouped some of their losses in London trading, where the December JGB future rose 0.12 point to 111.12.

Fears that the long-awaited cut in the 2½ per cent official discount rate has been delayed caused short-term rates to rise. The three-month certificate of deposit rate rose to 2.67 per cent from 2.60 per cent on Monday.

FT FIXED INTEREST INDICES

	Sep 14	Sep 13	Sep 10	Sep 9	Sep 8	Year ago	High *	Low *
Govt.Secs (UK)	102.34	102.86	102.84	102.54	102.89	89.14	102.86	93.28
Fixed Interest	124.83	124.99	124.94	125.04	124.98	108.34	125.20	109.67

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75)
Fixed Interest high since compilation: 125.20 (1/9/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Sep 13	Sep 10	Sep 9	Sep 8	Sep 7
Gilt Edged Bargains	93.7	88.8	129.9	130.2	95.4
5-Day average	107.8	107.1	115.3	116.2	126.8

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	[illegible]	-0.895	6.72	6.68	6.84
BELGIUM		9.000	03/03	112.7800	+0.010	7.11	7.24	7.10
CANADA *		7.500	12/03	104.0300	-1.610	6.94	6.70	6.98
DENMARK		8.000	05/03	108.3500	+0.100	6.79	6.86	6.82
FRANCE	BTAN	5.750	11/98	100.3999	-0.220	5.65	5.65	5.79
	OAT	6.750	10/03	104.4250	-0.235	6.14	6.18	6.30
GERMANY		6.500	07/03	102.6050	+0.005	6.14	6.15	6.34
ITALY		10.000	08/03	104.6450	-0.345	9.49†	9.87	10.08
JAPAN	No 119	4.800	06/99	105.7xxx [illegible]	-0.179	3.60	3.57	3.77
	No 157	4.500	06/03	102.7181	-0.072	4.11	4.03	4.18
NETHERLANDS		7.000	02/03	106.9300	-0.020	6.01	6.01	6.22
SPAIN		10.900	08/03	111.5500	-0.250	9.07	9.02	9.49
UK GILTS		7.250	03/98	103-18	-11/32	6.33	6.28	6.28
		8.000	06/03	107-30	-22/32	6.86	6.79	6.88
		9.000	10/08	116-11	-29/32	7.21	7.17	7.32
US TREASURY *		5.750	08/03	103-03	-24/32	5.34	5.26	5.68
		6.250	08/23	104-09	-9/32	5.94	5.92	6.32
ECU (French Govt)		8.000	04/03	109.7000	-0.270	6.60	6.63	6.87

London closing, *denotes New York morning session. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Italy to tap into well of demand for high-yield bonds

By Antonia Sharpe

THE Republic of Italy is expected to give a greater weighting to the 30-year than to the 10-year tranche of its $5bn global offering, which is due to be launched today, in order to tap the well of demand for high-yielding bonds.

Now that yields on US Treasuries have fallen to a 25-year low, investors need to look much further along the yield curve in order to secure higher returns. However, there has been a shortage of paper ever since the US Treasury decided to auction fewer 30-year bonds.

INTERNATIONAL BONDS

Italy is expected to raise at least $3bn through the 30-year tranche and the remainder through the 10-year tranche, which had been the borrower's preferred maturity at the start of the roadshow.

Investors expect the 30-year bonds to carry a generous yield of between 80-85 basis points over comparable US Treasuries. This compares with a yield spread of 60-65 basis points for the 10-year bonds.

Issuance in the international bond market remained slow yesterday ahead of Italy's first global offering. In the D-Mark sector, Kreditanstalt für Wiederaufbau (KfW), the German government agency for redevelopment, raised DM1.5bn through an offering of 10-year Eurobonds.

Syndicate managers said the narrow yield spread of 14 basis points reflected the borrower's triple-A rating. However, some said that the yield appeared meagre to investors who have turned bearish following the Bundesbank's easing last week, believing that there is little room for further interest rate cuts in Germany.

Meanwhile, the World Bank has awarded the mandate for its first D-Mark global bond offering to Deutsche Bank and Salomon Brothers. The market expects the offering to be launched early next month, with a maturity of more than seven years and a size of at least DM5bn.

Syndicate managers also expect a handful of Eurobond offerings from Latin American borrowers. Banobras, one of the Mexican government's primary vehicles for financing economic development, is about to launch a $100m five-year offering via CSFB. Argentina and Venezuela are likely to tap the D-Mark sector in the coming weeks.

Among other issues yesterday, Crédit Foncier de France injected liquidity into the long end of the French franc sector with its FFr3bn offering of 15-year Eurobonds.

The bonds, which were priced to yield 20 basis points over the yield on the French government's 8½ per cent OAT due 2008, offered a marginal pick-up over the borrower's 14-year Eurobond issue, which was increased by FFr500m to FFr3.5bn last week.

Crédit Local de France was encouraged to tap the Ecu sector in the light of the strong demand on Monday for the Council of Europe's eight-year Ecu150m Eurobond issue.

The French bank raised Ecu175m through an issue of five-year Eurobonds which were re-offered at 100½. Lead manager Goldman Sachs said the bonds held their re-offer price in spite of weakness in the underlying Ecu market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Shinagawa Fuel Co.(a)‡	150	0.625	100	Sep.1997	2.25	-	Yamaichi Intl.(Europe)
Safra Republic Holdings(b)‡	100	(b)	98.75R	Sep.1996	0.25R	-	Merrill Lynch Intl.
D-MARKS							
KfW International Finance	1.5bn	6.25	99.85R	Oct.2003	0.325R	+14 (6¼%-03)	Commerzbank/CSFB Effect.
Kingdom of Denmark	102	5.75	100.25	Nov.1996	undiscl.	-	Daiwa Europe (Deutsch.)
FRENCH FRANCS							
Crédit Foncier de France	3bn	6.30	98.80R	Oct.2008	0.4R	+20 (8½%-08)	Banque Paribas
YEN							
Uny Co.(c)	10bn	3.80	100R	Jan.1999	0.25R	-	Tokai Bank Europe
Nissan Motor Co.(c,d)‡	10bn	(c,d)	100R	Jan.1999	0.15R	-	Fuji Intl. Finance
Itochu Corp.(e)	3.6bn	3.66	100.30R	Sep.1997	0.3R	-	Merrill Lynch Intl.
ECUS							
Crédit Local de France	175	6	100.125R	Sep.1998	0.25R	-	Goldman Sachs Intl.
SWISS FRANCS							
Yukong(e,f)*§	70	1	100	Dec.1998	-	-	Swiss Bank Corp.

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: 20/9/93. b) Increased from $100m; increase has issue price of 99. Issued on a fiduciary basis by Chase Manhattan Lux. Coupon pays 6-month Libor flat. Callable at par on coupon dates from 28/9/95. c) Short 1st coupon. d) Coupon pays 3.85% on 28/1/94,95,96 and 97 and 6-month Libor - 0.125% in the last 6-months. Puttable on 28/1/97 at par. e) Short 1st and 2nd coupons. f) Fixing: 18/9/93. Callable, subject to 130% rule, on 31/12/94 declining by ½% annually. Callable on 31/12/96 at 101% declining by ½% annually.

Consob staggers under criticism of political role

THERE is a suspicion that the knives may be out at Consob, Italy's stock markets and companies watchdog. Its performance in regulating the troubled Ferruzzi group has been widely criticised: and this week one of its five commissioners announced his resignation.

The criticism has highlighted a number of broader questions about the future role of a regulatory agency whose activities are still split between its big Rome headquarters and an understaffed markets unit in Milan.

Observers are asking whether Consob's highly-politicised structure remains appropriate. Links between politics and business have come under increased scrutiny following Italy's 17-month old political corruption scandal, and the government is poised to launch a big privatisation programme.

Last month, Consob's reputation took a severe blow when Milan magistrates investigating political corruption arrested Mr Bruno Pazzi, a veteran Consob chairman, now in retirement, over allegations that he was secretly on the Ferruzzi payroll.

Moreover, small shareholders have bitterly attacked Consob over what they claim was its failure to monitor the affairs of Ferruzzi Finanziaria (Ferfin), Italy's second biggest private company, which has borrowings of more than L28,000bn ($18.26bn).

Shares in Ferfin have seesawed wildly as investors were stunned by allegations that its previous management paid substantial bribes to politicians and covered up vast trading losses since 1989.

Although the attacks on Consob are seldom specific, many investors claim the Ferruzzi affair has pinpointed gaping holes in Italy's company and bourse supervision systems.

Matters reached a head this week, with the news that Mr Roberto Artoni, a Consob commissioner associated with the Democratic Party of the Left (PDS), was planning to resign. Although the move was officially described as a personal decision to return to university teaching, Mr Vincenzo Visco, a PDS senator and deputy chairman of the Senate finance committee, claimed in yesterday's La Repubblica newspaper that it reflected much deeper differences within Consob.

Mr Visco accused the agency of being too slack in its company supervision. He cited its failure to replace until recently Mr Giuseppe Zadra, the current director general of Italy's Bankers' Association, who was formerly in charge of Consob's bourse division.

Some analysts echo accusations of dilatory behaviour or an excessively bureaucratic approach.

Consob's current chairman, Mr Enzo Berlanda, is a respected former politician, who played an important part as a Christian Democrat senator in steering through much of the recent laws which have helped to bring Italy's financial markets up to date with those in other big European countries.

However, some observers attack the agency for an excessively legalistic and bureaucratic approach to its job. Even Consob's recent decision to ban Price Waterhouse, Ferfin's accountants, from auditing the group's books because of the accountants' failure to detect the alleged financial irregularities, backfired after some critics accused Consob of trying to pass the buck.

The attacks are "just political machinations", said a Consob official.

Mr Zadra's job was left open deliberately, pending a reorganisation which includes reinforcing the Milan office, while the latest criticisms have been motivated by interested parties who want Consob to suspend Ferruzzi group shares, he said.

"We have to apply the law. If people don't like what we do, they should change the laws so we can apply them differently."

Haig Simonian

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on September 14

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Abbey Natl Treasury 6½ 03	1000	103⅞	104⅛	-⅛	5.98
Alberta Province 9¼ 95	500	110	110⅝	-⅛	4.32
Austria 8½ 00	400	116⅝	117¼	-⅛	5.30
[illegible]					

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
Arbed 7½ 95 LFr	600	99⅝	100⅝		8.01
Banque Intl Lux 9¼ 99 LFr	1000	107¼	110½		7.47
World Bank 8 99 LFr	1000	101	102		7.53
[illegible]					

DEUTSCHE MARK STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS: [illegible]

* No information available - previous day's price
† Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡ three-month; §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	2	69	7
Other Fixed Interest	3	6	4
Commercial, Industrial	246	333	841
Financial & Property	69	162	582
Oil & Gas	11	25	45
Plantations	0	0	5
Mines	15	52	69
Others	61	40	[illegible]
Totals	417	709	1,653

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price p	+/-	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
-	F.P.	-	110	94	Anglian Water Wts	108		-	-	-	-
120	F.P.	-	147	125	Babcock	131		-	-	-	-
-	F.P.	-	255¾	255¾	[illegible]	255¾		-	-	-	-
1150	P.P.	-	185½	158	British Telecom (Partly)	175	-½	[illegible]	1.4	4.6	20.6
90	F.P.	-	[illegible]	85	Crocklords	85		155.2	2.3	6.8	7.5
-	F.P.	-	5	2½	[illegible] A	4		-	-	-	-
-	F.P.	-	155	140	[illegible]	[illegible]		-	-	-	-
-	F.P.	-	78	67	Fi & Col Special Inc	[illegible]	-½	-	-	-	-
[illegible]											

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

For other notes please refer to the Guide to the London Share Service.

TRADITIONAL OPTIONS

- First Dealings: Sept. 13
- Last Dealings: Sept. 24
- Last Declarations: Dec. 9
- For settlement: Dec. 20

3-month call rate indications are shown in Saturday editions.

Calls: Anglo Grp., Babcock, Cannon St. Invs., Doornfontein, Eurotunnel, Ex-Lands, P & P, Palon, Shandwick, Signet, Wembley. Put & Call: Tullow Oil.

FT-SE ACTUARIES INDICES

LIFFE EQUITY OPTIONS

[illegible]

September 14 Total Contracts 43,483
Calls 30,183 Puts 13,300
FT-SE Index Calls 3,903 Puts 4,798
Euro FT-SE Calls 770 Puts 692
*Underlying security price. †Long dated expiry months.
Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Tue Sep 14	Day's change %	Mon Sep 13	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (24)	128.99	-0.11	129.12	2.18	7.91
2	5-15 years (23)	155.65	-0.48	156.40	1.81	8.52
3	Over 15 years (9)	175.49	-0.68	176.69	0.67	9.70
4	Irredeemables (6)	207.19	-0.69	208.63	2.78	8.83
5	All stocks (62)	151.30	-0.41	151.93	1.05	8.23
	Index-Linked					
6	Up to 5 years (2)	187.47	-0.03	187.52	0.86	3.41
7	Over 5 years (11)	184.41	-0.25	184.88	0.55	3.60
8	All stocks (13)	183.83	-0.28	184.34	0.58	3.83
9	Debs & Loans (65)	144.28	-0.55	145.08	2.25	7.95

	AVERAGE GROSS REDEMPTION YIELDS		Tue Sep 14	Mon Sep 13	Year ago (approx.)
	British Government				
1	Low	5 years	6.27	6.31	8.63
2	Coupons	15 years	7.07	6.98	8.63
3	(0%-7¾%)	20 years	7.17	7.10	[illegible]
4	Medium	5 years	6.50	6.44	9.41
5	Coupons	15 years	7.19	7.11	8.86
6	(8%-10¾%)	20 years	7.25	7.18	8.76
7	High	5 years	6.71	6.64	9.68
8	Coupons	15 years	7.48	7.34	9.10
9	(11%-)	20 years	7.43	7.36	8.94
10	Irredeemables (Flat Yield)		7.31	7.26	8.85
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	2.54	2.52	4.70
12	Inflation rate 5%	Over 5 yrs	3.16	3.14	[illegible]
13	Inflation rate 10%	Up to 5 yrs	1.79	1.77	3.87
14	Inflation rate 10%	Over 5 yrs	2.98	2.97	4.44
15	Debs &	5 years	7.76	7.65	10.51
16	Loans	15 years	8.08	8.09	10.25
17		25 years	8.21	8.15	10.12

Refocusing and cost cutting help put constructor back on track

Taylor Woodrow in the black

By Paul Taylor

TAYLOR WOODROW, the restructured construction group, returned to the black in the first half, posting pre-tax profits of £10.1m against a restated £16.9m loss last time.

Turnover in the six months to June 30 increased to £622.8m (£594.4m) despite a reduction in contracting turnover which slipped to £418.8m, against £435.1m in the 1992 first half.

Earnings per share of 1.3p compared with losses of 3.7p in the comparable period and the group, which cut the interim dividend to 0.5p last year, is maintaining it at the reduced rate.

Commenting on the turnaround Mr Colin Parsons, chairman, said the structural changes – including refocusing the group on its four core businesses and cutting back on overheads – have put Taylor Woodrow "back on the track towards the level of performance which our shareholders expect".

Overall the group reported operating profits, excluding a £5.3m gain resulting from the implementation of the FRS 3 accounting rules, of £16.4m compared with a £10.7m loss a year earlier.

Despite the reduction in turnover in the core contracting business losses were reduced from £10.4m to £3.4m in the latest period. Mr Parsons expressed confidence that although conditions remain highly competitive, the contracting losses should be eliminated this year.

The group's property business performed "reasonably" in the first half, although net rental income fell by about 9 per cent following disposals. Overall the division posted a £6.5m (£4.2m) profit on turnover of £57m (£43m).

In the housing division profits of £3.9m compared with a £16.4m loss last time and came on turnover up at £91.3m (£65.6m). Mr Parsons said the group's worldwide housing operations, including those in Australia, Florida and Canada, continued to make progress with sales of houses and plots increasing by 34 per cent to 1,095.

In the UK house sales grew by 35 per cent to just over 300, but the average price fell by 3 per cent to £71,000 and the land bank fell slightly to 2,200 plots.

The group's net borrowings fell by £87.3m from the year-end to £141.3m at June 30, equivalent to gearing of 27 per cent against 44 per cent at the end of December.

● COMMENT

Taylor Woodrow's management team deserves credit for strengthening the balance sheet and improving performance despite the continuing dire problems of the construction sector. The turnaround has been achieved mainly by selling-off non-core operations and reducing overheads by some £20m. However, only about £18m of pre-tax profits are expected this year, equivalent to earnings per share of about 4.4p. At current prices the shares are trading on a prospective p/e of 27, which looks unjustified.

Steel Burrill incurs £4m loss

By Richard Lapper

PROVISIONS against possible settlements in a number of legal disputes, heavy reorganisation costs and slow growth in its new business yesterday plunged Steel Burrill Jones, the insurance broker, into the red.

Pre-tax losses of £3.92m for the six months to end-June surprised the market and explain a cut in the interim dividend to 3p (4.25p).

The deficit, which compared with previous profits of £6.28m, were the first ever recorded by SBJ which has grown rapidly since its launch on the market in the mid-1980s and are prompting a round of job cuts.

Mr George Boden, chief executive, who described the trading performance as "very poor", said at least 70 of the group's 860 staff would lose their job, 45 of them immediately.

Underlying trading profit, including investment income was £3.52m. But provisions of £4.39m were made for the expense of reorganising back office and other operations and £3.05m for the cost of possible legal settlements.

Mr Boden said half of the legal provision related to one particular dispute. The group has not made any extra provision for any costs it might incur as a result of any out-of-court settlement to the litigation between Names and agents at the Lloyd's market.

After tax losses per share amounted to 7.62p (earnings 8.77p).

Slow progress in the group's core marine markets, especially in the marine reinsurance and offshore energy sectors depressed turnover. Broking revenues fell to £23.37m, 4.8 per cent below the level achieved in 1992. After stripping out the impact of exchange rate movements and the impact of acquired businesses which did not operate for the first six months, underlying growth was down by 8 per cent.

Competition in the energy market, especially from the US on both price and policy wordings, was described as "continuing and persistent".

National Express blames recession for 45% decline

By Tim Burt

NATIONAL EXPRESS, the coach service operator floated late last year, yesterday blamed a 45 per cent fall in interim pre-tax profits on the continuing effects of the recession on domestic services and the costs of a redundancy programme designed to cut the workforce by 10 per cent.

Reporting pre-tax profits of £585,000 on turnover of £57.4m in the 28 weeks to July 10, the company said the performance would have been healthier had it not been for £427,000 in exceptional redundancy costs in its UK express coach arm.

The figures compare with pre-tax profits of £1.06m on turnover of £56.9m in the 28 weeks to July 11, 1992. A maiden interim dividend of 2.5p is declared, payable from earnings per share up from 0.2p to 1.3p.

Mr Ray McEnhill, chief executive, said the decline was due to the poor performance of the express coach division, which reported an operating loss of £621,000 compared with a deficit of £211,000 in 1992. The division "has not yet seen any evidence of sustained economic recovery", he said.

The group has been strengthened by the acquisition of three new businesses for a total of £159m: Scottish Citylink, the scheduled coach operator; Eurolines (Nederland), part of the inter-European network; and East Midlands International Airport.

The airport's trading results have not been included as the purchase was completed after the end of the results period.

The group's other divisions, meanwhile, moved ahead. Operating profits at Eurolines (UK) were £462,000 (£411,000); Airport Coach Services was up to £241,000 (£219,000).

National Express has shelved plans to upgrade its core coach business with refurbished stations and a new reservation system while it assimilates its new acquisitions.

The company has, however, been careful not to abandon its investment plans, designed to woo passengers back from British Rail, and has only postponed them until the coach market shows signs of generating the passenger volume to make the outlay worthwhile.

In the meantime, the group says its has substantial spare cash which it intends to use to develop its new businesses rather than embark on further acquisitions.

BT's £400m Spanish venture

By Andrew Adonis

BRITISH Telecommunications is forming a £400m joint venture company with Grupo Santander, Spain's fourth largest financial services group and parent of Banco Santander, to sell data communications services in Spain.

The joint venture will own, manage and upgrade Meagred, Grupo Santander's existing data communications network which covers 31 Spanish cities.

The move is a further push into Europe's liberalising telecommunications market.

The new company, expected to employ over 300 people when fully established, will offer a range of managed data communications services to Spanish companies and other large users. Megared, set up in 1989 to serve the banking group's extensive branch network, has been trying to expand by attracting third party users.

Mr Iain Vallance, BT chairman, said the venture brought together BT's international experience and Grupo Santander's knowledge of Spanish business and its extensive data communications network."

Trinity Intl turns in £9.44m and enfranchises shareholders

By Ian Hamilton Fazey, Northern Correspondent

TRINITY INTERNATIONAL, the fast-expanding UK regional newspaper publisher, is to enfranchise its ordinary shareholders.

This will end the voting structure which has made it immune from takeover since it floated as the Liverpool Daily Post & Echo in 1904.

Trinity coupled its announcement yesterday with news of a 27 per cent rise in interim pre-tax profits to £9.44m from £7.44m and an increase in interim dividend to 3p (2.7p).

The group is joining a band including Great Universal Stores and several other companies which have recently declared a change in their restrictive voting structures.

Mr Philip Graf, chief executive, said yesterday enfranchisement was meant to improve the attractiveness, marketability and value of Trinity's shares.

He did not accept Trinity was now vulnerable to predators.

"The best long-term defence against a takeover is sustained performance. We have a good record and excellent relations with our shareholders," he said. Trinity's shares closed up 3p at 388p.

Trinity lost its main disgruntled shareholder earlier this year when Mr Conrad Black, the Canadian publisher of the Daily Telegraph, sold a 10 per cent stake he had bought in 1989 in the hope of building a long term relationship.

Trinity's directors, who control the 12 management shares that are the only ones with voting rights at present, saw him as a potential predator and are understood to have rebuffed Mr Black's overtures for a seat on the board and enfranchisement of Trinity's shares.

Mr Black failed to take up his rights in an oversubscribed rights issue last year and Goldman Sachs had no difficulty placing his shares with institutions.

Trinity's biggest shareholder now is Mercury Asset Management, which has 25 per cent. Other financial institutions own at least another 55 per cent.

The group, which has its headquarters in Chester, owns the daily newspapers in Liverpool and groups of weeklies and free sheets in Merseyside, North Wales, western Canada and the US. Last year it divested from papermaking and packaging to concentrate on media.

It promptly bought Scottish and Universal Newspapers (SUN) from Lonrho, having withdrawn from a contested bid for Southern Newspapers on the English south coast.

This year, Trinity has made an agreed offer for the Huddersfield Examiner group of newspapers in West Yorkshire and is in exclusive negotiations to buy Argus Press, in south-east England.

Both deals are awaiting government clearance.

Under the enfranchising proposal, each non-voting stock unit will be converted into one share with full voting rights.

Each management share will be converted into 10 ordinary shares with no compensation for loss of voting power.

Trinity's turnover rose 32 per cent to £64.67m (£48.96m), reflecting the Scottish and Universal acquisition.

Earnings per ordinary stock unit were 9.2p (8.0p). Gearing was 18.3 per cent, although this is likely to double if the Argus and Huddersfield deals are finalised.

Buckingham Intl asset sale after £62.5m loss

By Roland Rudd

BUCKINGHAM International, the property, hotels and nursing group, is in talks with its bankers after it wrote down the value of its property by almost £60m leading to a loss before tax of £62.5m in the half year to May 2.

Net borrowings rose to £95.5m, representing gearing of 200 per cent. Interest increased to £4.2m (£4m). The rise in debt led to a breach of covenants with its banks.

Mr David Hardy, chairman, said: "We are talking to our lenders about a programme of disposals. We expect the discussions to be resolved satisfactorily and the sale of assets should result in a big reduction in debt. The banks are not going to pull the plug."

An exceptional charge of £60m mainly relates to the write down of the group's assets, which includes property in Portugal. The provision amounts to 49p per share and leaves net assets of 35p (80p) per share.

Mr Clarke, who became a multi-millionaire after the Greenalls takeover of Devenish, has been given 5m share options exercisable in five years at 10p each. Buckingham's shares, which rose to £1 four years ago, were yesterday unchanged at 6½p.

"The group is a shadow of its former glory" said Mr Hardy. "But with new management and a disposal programme in place I hope better times are coming."

Profit before exceptional items rose to £1.67m (£1.27m) on increased sales of £24.4m (£19.5m).

Operating profits from hotels and nursing homes increased to £3.3m (£2.4m) and £521,000 (£459,000) respectively. The Portugal development business made a loss of £273,000.

Losses per share of 51.85p compare to losses of 1.84p. The interim dividend has been passed again.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Avonmore Foods ......int	1.55‡	Oct 23	1.45	-	3.5
British Data ......fin	3.25	-	1	4.75	1
Delta ......int	4.2	Dec 1	4.2	-	14
Domestic & Gen § ......fin	15	Nov 25	12	22.5	18
EBC ......int	1.75	Oct 22	1.75	-	4
Finlay (James) ......int	2	Jan 5	2	-	4.15
Hewitt ......int	1.5	Nov 2	1.25	-	3
Heywood Williams ......int	4.5	Oct 22	4.5	-	12.5
ISA Internatl ......int	0.55	Nov 30	0.482	-	1.5
Jeyes ......int	3.3	Dec 31	3.1	-	7.5
Kingfisher ......int	4.4	Oct 29	4.2	-	13.7
Ldn Forfaiting § ......int	3.2	Oct 25	2.9	-	8.4
National Express ......int	2.5	Oct 20	-	-	-
Polypipe ......fin	1.44†	Nov 8	1.34	2.1	1.97
Quarto ......int	2	Dec 5	1.6125	-	5.3713
Russell (Alex) ......int	0.5	Nov 30	1	-	1
Scholes ......fin	3.4	Nov 15	3.4	5	5
Steel Burrill ......int	3	Nov 4	4.25	-	13.25
Taylor Woodrow ......int	0.5	Oct 7	0.5	-	1
Trans World § ......int	0.3	Oct 14	nil	-	0.5
Trinity Intl ......int	3	Oct 29	2.7	-	8.7
United Friendly ......int	5.5	Oct 21	4.9	-	14.5
Watmoughs ......int	3	Nov 5	2.7	-	11.5
WSP Holdings ......int	0.9	Oct 21	1.1	-	2

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Irish currency.

Restructure planned for Gartmore Value Invs

By Bethan Hutton

SHAREHOLDERS in Gartmore Value Investments, a split-capital investment trust, are being offered shares in Gartmore Shared Equity Trust, a new investment trust, in a restructuring operation. Gartmore is also planning to raise up to £50m through an offer for subscription in the new trust.

The new trust will have the same investment objectives as the old one, but will have a longer life and be less highly geared. It will also be based on a wider spread of equities.

Greig Middleton, on behalf of Gartmore Shared, is offering 34 new shares at 100p for every 100, equivalent to a price of 34p per share. It also offering 89.3 new zero dividend preference shares at 103p for every 100 old zeros, equivalent to 91.979p. No offer is being made for the debenture stock.

The market price of the ordinary shares is 34p, with the zeros at 92p. Net asset value per share stands at 40.9p.

The new shares are expected to have a gross dividend yield of 12 per cent, compared with the present 14 per cent. The new zeros will give a gross redemption yield of 8 per cent, compared with 7.3 per cent.

Greig Middleton has already received irrevocable undertakings to accept the recommended offer from holders of 46.87 per cent of the ordinary.

There is no cash alternative, but Gartmore Value Investments will continue to be run alongside the new trust until it is wound up as planned in January 1995.

The new trust is expected to be wound up on April 30 2002.

Emess static at £1m

Pre-tax profits at Emess, the lighting and electrical accessories group, remained static at £1.1m for the half year ended June 30. However, the comparative figure included a £1.3m contribution from discontinued operations.

Turnover of continuing operations edged ahead from £59.1m to £59.5m for trading profits of £2.1m (£1.7m). Interest costs were £1m (£1.9m).

Fully diluted earnings emerged at 0.5p (0.6p).

Sale helps Heywood Williams to £22.7m

By Catherine Milton

HEYWOOD WILLIAMS, the building materials group, reported half year pre-tax profits up from £5.1m to £22.7m, which included a £15m profit on the sale of most of its glass business to Pilkington.

Turnover fell to £170.3m (£190.4m) in the six months to June 30, including £34.3m from discontinued activities. This reflected the three month lacuna between the £95m sale of the glass distribution business in April and the maiden contribution of a US building products company acquired for £42m at the end of the half year.

Mr Ralph Hinchliffe, chairman, said the glass business had not been making any money. He added that the profit rise reflected cost cutting in its aluminium and plastics businesses.

"Our automotive business has benefited from the inclusion of windscreens in the MOT test from January 1, with the trade up 30 per cent overall. Our US interests equalled the record profits they achieved in 1992 in dollar terms."

He added: "Recovery in the UK is hesitant but the underlying trend is positive."

The acquisition of LaSalle-Deitch, a US buildings material company, gave the company further access to growth markets in prefabricated houses and recreational vehicles, Mr Hinchliffe said. Mainland Europe was likely to remain difficult for a little time.

At the end of the period net cash was £19m, against net debt of £24.6m 12 months earlier. Interest income was £86,000 compared with charges of £1.16m last time.

The board declared a maintained interim dividend of 4.5p from earnings per share of 23.7p (3.4p).

COMMENT

Management deserves credit for harsh cost cutting last year which has helped the company bear the seasonal losses of its old glass distribution business and improve underlying profits. The strategy of supplying higher margin components for specialist niche markets such as prefabricated houses and recreational vehicles looks good. But the cyclicality of both markets calls for caution. Stripping out the exceptional profit, forecasts are for £20m pre-tax giving a multiple of about 20.5 this year, a 30 per cent premium to the market, thanks mainly to loss elimination and growth in windscreens. But the multiple falls to 15 in 1994, which looks reasonable for a recovery stock.

Jeyes tumbles to £374,000

By Peggy Hollinger

JEYES Group, the cleaning products manufacturer which stunned the market with a profits warning in June, yesterday reported an 82 per cent drop in interim pre-tax profits to £374,000 on sales 61 per cent higher at £57.9m.

Mr Jimmy Moir, chief executive, was confident, however, that the sharp profits downturn had been a hiccup after a series of one-off factors. These included over-enthusiastic spending on marketing in the company's bleach and wipes business, and the costs of restructuring the group's divisions following the acquisition last year of Globol in Germany.

Mr Moir said Jeyes had spent some £4m on marketing bleach and wipes in the UK, leaving it with a greater market share. Although the spending had been budgeted for, margins were severely hit when competition forced down prices. However, Mr Moir said conditions had now returned to normal.

The chief executive remained cautious about the full year, however, until autumn trading became more clear. "It is crucially important that we deliver the bacon at that time," he said.

The UK division, which accounts for 45 per cent of turnover, was showing a 5 per cent increase in year-on-year sales. The international division, excluding Germany, had been hindered by difficult trading in France and Spain and destocking in North America. Mr Moir said the North American business had since improved significantly.

Germany was showing a 10 per cent increase in sales at the half year, he said.

Jeyes took an exceptional charge of £610,000 to pay for redundancy costs. A further provision of £5.8m was shown in the balance sheet to cover restructuring costs. Some 27 management jobs were cut in the first half, and Mr Moir said the group expected to reduce the workforce by a further 250.

Earnings per share tumbled from 9.4p to 1.2p. The dividend was increased to 3.3p.

COMMENT

As Mr Moir frankly admits, Jeyes may have "chased the market a little too hard". But since the group has won greater market share as a result, the most severe damage in the medium term may well have been to its credibility in the City. The shares are likely to tread water at least until the finals, when Mr Moir's cautiously optimistic statements will be put to the test. Jeyes will also have to prove that it can get gearing, currently at 54 per cent, to an acceptable level. Expectations are for pre-tax profits of £4.7m, leaving a prospective p/e of 22 times. It is likely to be 1994 before Jeyes begins to recover its shine.

Goal net profits rise 18% to £2.8m

By Robert Corzine

GOAL Petroleum, the UK independent exploration and production company, reported an 18 per cent jump in net profits to £2.8m for the first half of the year despite a 13 per cent fall in production. Earnings per share also rose 18 per cent to 2.07p.

The decline in output was offset by favourable exchange rate movements which resulted in higher sterling prices for oil. Turnover to the end of June remained unchanged from the same period last year at £20.9m, according to Mr Roger Bexon, chairman.

He said the company would use its financial strength - net borrowings fell £2.5m to £16.2m to give a gearing ratio of 18 per cent - to expand reserves, either through successful exploration, acquisition or by boosting output of existing reserves, such as the Wytch Farm and Magnus fields in the UK.

Mr Bexon added that the changes made earlier this year to the UK's petroleum tax regime would "substantially increase" Goal's discretionary income and enhance its flexibility in making any acquisitions. "While the North Sea still offers many opportunities...we continually review possible investments in other areas," he said.

The company's average production rate was 10,000 barrels of oil equivalent a day during the first half of the year (11,500). The fall was due to planned maintainence shutdowns at the Buchan and Wytch Farm fields. There is again no interim dividend.

Clyde Petroleum £16.2m loss

By Robert Corzine

CLYDE PETROLEUM, the UK exploration and production company, yesterday reported a £16.2m loss in the six months to June 30 after writing off £21.6m due to failed exploration, mainly in Malaysia.

Dr Colin Phipps, chairman, said he was disappointed that the company's international exploration programme had "led to a high level of write-offs during the last two years".

The £16.2m net loss for the first half of this year compared to an £11.8m loss last time. The loss per share was 4.6p (3.7p), but Dr Phipps predicted that Clyde would return to profit in 1994 and reinstate a dividend in October 1994.

Mr Malcolm Gourley, chief executive, said planned maintenance shutdowns at the Wytch Farm field and the Forties pipeline system in the UK led to a lower average daily output during the first half of 21,072 barrels of oil equivalent. Production had returned to normal levels and he predicted average output for the full year would be close to the 23,900 b/d achieved last year.

The drop in first half production caused turnover to decline to £39.2m (£43.7m). But the company benefitted from selling forward 73 per cent of its estimated 1993 output at $18.67 per barrel, against recent prices of under $16 a barrel.

Cash inflow of £25m was supplemented by the £34.2m received from the company's rights' issue last March. Gearing, currently at 100 per cent, is likely to be slightly higher by year-end, according to Mr Gourlay. But he expects it to fall to 60 per cent by next year because of the cashflow expected when the North Sea Gryphon field begins producing next month. Clyde has a 35 per cent stake in the field.

Mr David Basham, an analyst at Kleinwort Benson, said the size of the interim loss took the market "a little bit by surprise," and added that Clyde was "trying to tidy up its balance sheet before the Gryphon production began."

Mr Gourlay said the company's exploration efforts would focus in future on the Netherlands, UK and Yemen. He said Clyde would be "opportunistic" about possible disposals.

VHE worth £37m in placing

By Peter Pearse

VHE HOLDINGS, a specialist contractor, is coming to the main market via a placing which values the company at £36.9m.

Founded in 1979, the Barnsley-based company is involved in environmental land reclamation and regeneration and civil engineering, mostly in the Midlands and the north of England.

A roadshow has given presentations to about 100 institutions in London and a further 10 in Scotland and it is believed the placing, sponsored by Panmure Gordon, will be comfortably over-subscribed.

Some 10.9m shares are being placed at 115p each, of which 3.1m are new, and represent 34 per cent of the enlarged equity. At present Mr Brian Waldron, the 54-year-old founder and chairman, and Mr Brian Thomson, the 45-year-old managing director, who joined in 1984, each hold 50 per cent.

After expenses VHE will receive £2m, leaving the company with about £6m in cash.

In the year to March 31 pre-tax profits were £2.89m (£946,000) on turnover of £19.2m (£15.8m). Currently its order-book stands at £20m. VHE has made no profits forecast for the year to March 31 1994, but analysts are expecting between £3.4m and £4m pre-tax.

About 19 per cent of VHE's turnover in the current year is expected to derive from St Paul's, a property company of which Mr Waldron and Mr Thomson, directly or through trusts, each own 40 per cent.

VHE's contracts range in value from £100,000 to £10m.

The reasons cited for the flotation include the fact that its enlarged capital base and increased resources will allow it to "tender for larger contracts as main contractors and to perform those larger contracts which it is awarded".

The Department of the Environment has reckoned that there are about 101,000 acres of derelict land to be reclaimed in England, such as former coal mines, steel works and power stations.

Since 1991 VHE has reclaimed about 1,000 acres of contaminated land.

Utd Friendly's big general branch loss

By David Blackwell

A SHARP rise in the underwriting loss on the general business account has hit first-half profits at United Friendly Group, the life assurance company.

The shares fell 42p to 635p yesterday as the group announced a fall in the pre-tax figure from £9.51m to £6.08m.

The general branch underwriting loss rose to £6.96m (£1.69m) while total net premiums written increased by 29 per cent to £53.5m.

Mr George Mack, finance director, said a review had strengthened claims reserves, especially in the motor business, where claims for injuries had run ahead of estimates. In addition the group had stopped taking some categories of business.

Strengthening the reserves had accounted for a third of the increased loss, he said. Another third reflected the cost of new business because of the expansion of the property and motor sectors.

Life business profits rose to £5.6m from £3.9m. Total premium income in the life accounts was £110.1m (£98.7m).

Earnings per share fell to 6.98p from 9.14p. The interim dividend is raised from 4.9p to 5.5p.

Watmoughs shows 24% improvement to £6.37m

By Paul Taylor

WATMOUGHS (Holdings), the Bradford-based printer, yesterday reported a 24 per cent increase in first-half pre-tax profits and an improvement in its interim dividend.

Pre-tax profits increased to £6.37m in the six months to June 30 against £5.12m in the year-ago period on turnover which grew by 18 per cent to £65.5m (£55.5m). Interest costs fell to £76,000 (£164,000).

Earnings per share improved to 13.38p (11.14p) out of which the group is paying an increased dividend of 3p per share compared with 2.7p at the interim stage last year.

In addition the group is proposing a 1-for-1 scrip issue "in view of the substantial increase in the market price of the company's shares" which has more than doubled over the past two years. Yesterday the shares closed up 16p to 748p.

The board has also proposed the early redemption of the group's 5 per cent and 6 per cent preference shares. The proposals are subject to shareholder approval.

Mr Patrick Walker, chairman and chief executive, said the group's UK activities "continued to benefit from a slight improvement in the overall level of demand, our capital investment programme over recent years (which has totalled £100m), and firm management and financial controls."

He said the slight upturn in demand in the UK experienced towards the end of last year continued throughout the 1993 first half "with an improving trend in the second quarter."

Mr Walker added that moves by a number of newspapers to produce colour tabloid sections had resulted in an increase in demand for web-offset printing. "It is not a sellers' market, but there is certainly an increase in demand," he said.

Over the past few months Watmoughs has won a number of new newspaper printing contracts, including part of the new colour tabloid for the Mail on Sunday and the new Observer colour supplement.

Elsewhere, Mr Walker said the group's new Spanish printing operations came on stream progressively during the second quarter and produced a small initial pre-tax profit contribution, as did the group's Revai Nyomda Hungarian subsidiary, which "continued to make good progress."

Scholes advances 36% to £4.31m

By Peter Pearse

SCHOLES, the electrical installation materials group, lifted pre-tax profits by 36 per cent from £3.17m to £4.31m in the year to June 30 despite "no overall growth" in the group's markets.

Mr Bill Riches, executive chairman, said that, although there had been "a marked reduction in costs", the main engine of profits growth had been increased productivity.

But he acknowledged there was "not a great deal more scope" for reducing costs and increasing efficiency – the workforce was cut by a further 5 per cent to 1,545 in the year – without paring the group too thin.

Mr Alan Baxter, who has been chief executive for a little over a year, is to leave the group.

Mr Riches said: "It just didn't work out."

Turnover edged up £700,000 to £62.7m and operating profits advanced 27 per cent to £4.81m (£3.8m). Mr Riches said that, in spite of strong competition, margins in the core electrical equipment manufacturing activities rose from less than 8 to 9 per cent. Good quality products were part of the reason for this, he added.

An important factor in this, and "a crucial component of future strategy", was the alliance with Asea Brown Boveri, where ABB provides technology and components, especially to Wylex. Mr Riches said that all the technology on Wylex's miniature circuit breakers came from ABB and 40 per cent of Wylex's products overall.

The turnover figure concealed a small domestic decline, though there was also a 30 per cent rise in exports to £8m, of which £5.6m (up 47 per cent) came from the Middle East. Mr Riches reckoned that sterling's devaluation accounted for about two-thirds of the increase in exports. Net interest charges fell to £654,000 (£834,000) as net borrowings fell to nil (£3m). Earnings grew to 7.7p (5.9p) and the final dividend is held at 3.4p for an unchanged total of 5p.

Reduced interest payments help lift BDM 69% to £4.2m

By David Blackwell

A STEEP FALL in interest payments following flotation early last year helped to boost pre-tax profits at British Data Management by 69 per cent to £4.22m (£2.51m) for the year ended June 30.

Operating profits at the specialist data storage group were ahead 24 per cent at £4.45m (£3.59m) on turnover up at £15.6m (£13m).

Interest payments fell to £224,000 from £1.08m previously. Net borrowings, which were around £10m before the flotation, were £5m at the year end, giving the company a 30 per cent gearing.

The pre-tax profits were also helped by a low tax charge following over-provision in previous years.

Mr Stephen Crown, chairman and chief executive, described the first full year as a listed company as "particularly exciting." Three commercial data management businesses had been acquired for a total outlay of £3.5m. This had added 225 customers, taking the total to 1,200.

BDM is the UK market leader in data storage for the oil and gas industry. The group commissioned a second data centre in Aberdeen after winning a contract to manage BP Exploration's library and records centre. It was opened last week by Mr Tim Eggar, energy minister.

Mr Crown said that more companies seeking to concentrate on their core activities would be looking outside for data management. "We can take away the hassle of filing."

In addition there was plenty of potential for contracts from Government and the National Health Service.

BSS, the division which makes specialist racking systems, had had a "fantastic year," said Mr Crown, boosting its contribution to group operating profit by 55 per cent on turnover ahead 24 per cent.

Turnover at Eurocrate, which supplies the removals industry with plastic crates, was ahead 18 per cent - the first rise for three years.

The group's earnings per share were 14.3p, up from a previous 11.9p. The final dividend proposed is 3.25p, giving a total of 4.75p for the year compared with a notional 4p given in last year's prospectus.

Losses at acquisition put Magellan Inds in red

SEASONAL LOSSES at Vaga, the lingerie offshoot acquired last year, left Magellan Industries with pre-tax losses of £174,000 in the half year ended June 30.

In the same period last year the Marks and Spencer supplier, formerly known as Celestion Industries, recorded losses of £93,000, restated for FRS 3.

However, the company said the figures were not comparable because of the number of changes. Two companies had been discontinued and one acquired. Continuing businesses recorded pre-tax profits of £739,000 last time.

Turnover this year was £17.1m and the pre-tax figure was struck after interest charges of £222,000 and an exceptional charge of £496,000, relating to provisions against the holding in Dunkeld and losses following the sale of the Slix brand.

Turnover last time was £17.6m, of which £5.86m related to discontinued businesses, and the interest charge was £230,000, discontinued businesses £118,000.

Losses per share came out unchanged at 0.4p.

Mr Charles Ryder, chief executive, said progress was being made and order books were higher than a year ago.

BZW seeks £20m for endowment fund

By Philip Coggan, Personal Finance Editor

BZW is launching a Jersey-based closed-end investment company which is to be listed on the London stock exchange. The BZW Endowment Fund will invest in the second-hand with-profits endowment policies which are issued by insurance companies.

The fund is raising up to £20m to invest in the policies, which it will buy from market-makers Beale Dobie and Policy Portfolio.

The shares are being offered at 100p, with 50p payable in October and the remaining 50p in April 1994. No dividends will be paid. The costs of the issue are expected to be about 5.5 per cent and the annual management fee will be 0.5 per cent.

As a Jersey-based company, it will be able to distribute its assets as capital profits during the final five years of its life between 2001 and 2005. This option is not open to an onshore investment trust.

Private investors may find the five year pay-off efficient for financial planning and for capital gains tax purposes.

With-profits endowment policies have terms ranging from 10 to 25 years. Policyholders face surrender penalties if they want to cash in their policies before maturity. Instead, many sell the policies in the second hand market, where investors are willing to pay more than the offered surrender values.

Bonuses on endowment policies are being cut, as insurance companies adjust to the lower investment returns available in the 1990s. However, even allowing for a 10 per cent bonus cut over the next year and no growth in bonuses after that, BZW estimates that the fund can grow at 10.1 per cent per year.

Hewitt falls to £335,000

HEWITT Group, the manufacturer of industrial ceramics and refractories, reported a £76,000 drop in pre-tax profits to £335,000 for the six months to June 30.

However, the company said, last year's interim figure of £469,000 had been enhanced by a one-off profit of £98,000 on the sale of an investment.

During the period Hewitt entered into a joint venture with the technical ceramics division of NV Koninklijke Sphinx, the Dutch sanitaryware and ceramic tile group, and the result this time had benefited from a three-month contribution amounting to £94,000.

Turnover for the six months rose from £3.74m to £4.36m, boosted by £975,000 of sales from the Sphinx operation.

Borrowings had risen during the first half, the company said, in order to finance the acquisition of Sphinx and the continuing investment programme in Germany. Gearing at the period end stood at 64 per cent, but that was expected to fall in the second half, the directors added.

The interim dividend is being raised by 20 per cent to 1.5p (1.25p) and is paid from earnings per share down from 7.3p to 6.4p.

WSP Holdings drops to £279,000

Pre-tax profits of WSP Holdings, the consulting engineer, fell from from £352,000 to £279,000 for the half year to June 30. Turnover was static at £5.1m.

The interim dividend is being cut to 0.9p (1.1p). Earnings per share slipped to 1.9p (2.4p).

NEWS DIGEST

Alexander Russell up at £632,000

INCREASED demand for paviors and roof tiles from the concrete products division helped Alexander Russell show interim pre-tax profits ahead at £632,000, against £621,000.

Turnover in the six months to June 30 for this Glasgow-based company declined 6 per cent to £17.6m (£18.7m) reflecting the weak market for UK coal and the ending of the US coal business.

Earnings per share were 0.75p (0.68p). The interim dividend is halved at 0.5p, but the company said this should not be taken as an indication of the total payment for the full year. Last year the final dividend was passed.

Trans World

A poor performance in May left pre-tax profits at Trans World Communications, the local radio company, down 36 per cent at £254,000 for the first half of 1993, compared with £395,000.

However the USM-quoted company, which operates local radio stations in the north-west of England, West Yorkshire and south Wales, said that the position had recovered and at the end of the first eight months profits were ahead.

Turnover was static at £5.71m (£5.69m).

After a tax charge this time of £76,000 (nil), earnings per share were halved at 0.5p (1.1p). Following its return to the dividend lists with a 0.8p final payment last time the company is declaring its first interim since 1989 with a 0.3p payment.

ISA International

ISA International, which sells products for computer users in 30 countries, saw a 48 per cent increase in pre-tax profits to £1.95m for the half year ended June 30.

Turnover rose by 27 per cent to £66.6m, (£52.3m), while organic growth from existing operations was 20 per cent.

CTS Svenska, the Swedish company acquired for some £3.5m in February, contributed nearly £200,000 after interest costs, which means that organic profits growth was 33 per cent.

Earnings per share came out 24 per cent ahead at 3.29p (2.65p), a lower growth rate than profits owing to the shares issued at the time of the Swedish acquisition.

There is an increased interim of 0.55p (0.48p), covered 5.69 times by earnings.

James Finlay

Profits before tax of James Finlay, the overseas trading and financial services group, improved from £3.6m to £3.8m for the half year ended June 30.

Earnings slipped to 1p (1.8p) per share but the interim dividend is being held at 2p.

Turnover advanced to £78.3m (£70.7m) and operating profits emerged at £4.69m (£4.51m) of which the UK accounted for £2.3m (£1.28m).

Ecclesiastical Ins

Ecclesiastical Insurance Office, the ethical insurance company owned by Allchurches Trust and responsible for insuring Anglican churches, turned in a £4.76m profit for the half year to June 30, up from £3.65m last time.

Premium income was up from £73.5m to £86.6m, with general premium turnover up to £76.2m (£64.3m) and life business contributing £10.3m (£9.16m). Investment income was ahead at £4.88m (£3.87m).

Minorities required £457,000 (nil).

Ecclesiastical obtained a controlling stake in the St Andrew Trust in January as a vehicle for investing in smaller companies.

EBC

Profits of EBC, the Exeter-based construction and development group, improved from £481,000 to £562,000 pre-tax for the half year ended June 30.

External turnover of £28.4m compared with £25.3m. Trading conditions did not improve and competition for available work remained fierce.

The interim dividend is being maintained at 1.75p from earnings of 3.03p (2.9p).

Torday & Carlisle

Torday & Carlisle, the Newcastle-based engineer, swung from losses of £353,000 to profits of £17,000 pre-tax for the half year ended June 30.

Mr Peter Ryan, the chairman, said the results reflected the elimination of losses at Oldham Signs following 1992's restructure, offset to a significant extent by declining profits at DMI Europe.

Turnover of the continuing operations fell to £18.34m (£20.12m). Earnings of 0.36p compared with losses of 3.1p.

COMPANY NEWS: UK AND IRELAND

Polypipe sees revival as profits rise 11%

By Peggy Hollinger

THE long-depressed UK building sector is beginning to show vigorous signs of life, according to Polypipe which yesterday reported buoyant sales and profits for the year to June 30.

Mr Kevin McDonald, chairman, said the group was experiencing increased business "right across the building sector".

The order book had returned to normal levels, he said. "This is the first normal year we have had in four years." New buildings account for about 12 per cent of group sales.

Polypipe, which manufactures pipes for industrial and commercial use and other domestic plastic products such as bathroom fixtures, windows and garden furniture, said sales volumes were running between 4.5 per cent and 6.5 per cent ahead of last year in the various divisions.

The group reported an 11 per cent increase in pre-tax profits to £17.1m (£15.4m), on sales also 11 per cent ahead to £120.5m (£108.3m). Acquisitions contributed £600,000 to sales and £50,000 to profits.

The growth was achieved through a combination of new products and and growing market share, said Mr McDonald. Exports also rose by 15 per cent to £9.4m, with the strongest increase in sales to the Middle East.

Operating margins were slightly ahead of last year, rising from 14.26 per cent to 14.42 per cent.

The group's core business, above and below ground pipe fittings continued to grow, the company said. Polypipe claimed 21 per cent of the above ground drainage market, and 16 per cent of the domestic underground sector.

Mr McDonald said the group had increased market share in spite of the imposition of higher prices. He stressed that the group would not hesitate to raise prices again if raw material costs continued to increase.

Polypipe spent some £12.5m on capital expenditure, similar to that of last year, and 1.7 times the rate of depreciation. It planned to spend £12m this year. The group ended the year with net cash of £6.7m.

Earnings per share rose by 11 per cent to 7.4p (6.69p). The proposed final dividend is being increased by 7.5 per cent to 1.44p for a total of 2.1p (1.97p).

Trevor Humphries

Kevin McDonald, left, and Bryan Stock, finance director

Quarto seeks £9.5m for expansion

By Catherine Milton

QUARTO is calling on shareholders for £9.5m to treble its art print business, as the publisher and publishing services company yesterday announced pre-tax profits up from £1.2m to £1.63m for the six months to June 30.

The company is to acquire Scafa, a publisher and distributor of art prints in the US, for \$4.4m (£2.9m) plus between \$1.2m and \$6.5m on a profit formula basis payable by September 1998.

The deal pushes Quarto's art business up from 30 per cent to 37 per cent of total turnover, of which art prints will be a third, compared with 10 per cent now.

The rights issue is on a 3-for-11 basis at 225p, underwritten by Samuel Montagu.

The company plans to allow Scafa \$5m in "acquisition finance" with the balance going to reduce Quarto's net debt.

At the half-way stage Quarto had net debt of £8.5m (£6.4m) and gearing of 96 per cent. Pro forma, this will fall to 25 per cent post rights.

Net interest payments climbed to £228,000 (£177,000) because the company moved Western Signcraft, a silk-screen printer, 20 miles from Bristol to Corsham, costing £900,000.

Turnover rose to £19.5m (£16.5m).

The sales increase was in volume rather than price. The new administration in the US, where the company sells more than 40 per cent of turnover, had been "positive" for Quarto. Sales had also benefited from favourable currency translation.

Mr Laurence Orbach, chairman, said that following a slightly flatter second quarter trading in the seasonally more significant second half had "picked up".

The interim dividend is 2p (1.6125p) payable from earnings per share of 6.4p (3.9p).

Avonmore ahead 16% to I£11.2m

By Tim Coone in Dublin

AN EXPANSION programme worth I£71m (£66.5m) during 1992 by Avonmore Foods, the Irish dairy and meat processor, was the main factor behind a 16 per cent increase in interim pre-tax profits to I£11.2m, against I£9.63m.

Turnover rose 54 per cent to I£514.7m (I£335m) for the six months to July 3.

Ten acquisitions and two joint ventures were completed last year, largely in the meat processing business where turnover advanced more than 2¼ times to I£214.7m (I£80.6m) and now accounts for more than 40 per cent of group sales.

However meat division operating profits grew by only 22 per cent to I£3.9m (I£3.2m), reflecting the present very tight margins in the market.

The company said: "The overall performance of the meat division was affected by difficult trading conditions in the European market and the turnaround nature of the 1992 acquisitions."

Mr Brendan Graham, group secretary, said: "Our meat business has grown very rapidly and six months is a short time for companies which are being turned around.

"But we believe we have put a good business together at a modest cost, and the fundamentals are good. We are selling good products into 25 countries. The focus for the division from now will be on integration and efficiency measures."

Further growth will come through in the second half from the I£21.6m acquisition of the Birmingham area operations of Dairy Crest last July. As a result Avonmore is the UK's fifth largest liquid milk supplier with a 7 per cent share of the market.

Interest charges increased 53 per cent to I£6.71m (£4.37m), as a result of the acquisition programme.

The composite tax rate increased from 10.2 per cent to 13.8 per cent, reflecting the ending of tax exemptions for co-operatives in Ireland, and a growing contribution from overseas subsidiaries which face higher rates. The tax charge was I£1.55m, compared with I£985,000.

Earnings per share were 5.38p (4.74p). An interim dividend of 1.55p (1.45p) has been declared.

Mr Liam Igoe of Goodbody Stockbrokers in Dublin forecast a year-end pre-tax profit of I£29.1m and for earnings of 13.6p.

Independent Insurance plans £80m flotation this autumn

By Richard Lapper

INDEPENDENT INSURANCE, the general insurer, is aiming to go public in the autumn, with a stock market flotation expected to value the group at more than £80m.

It will be the first general insurance company to seek a listing for at least 30 years.

The group announced its plans when disclosing pre-tax profits of £4.29m (£4.29m) for the six months to June 30, struck after a £5.2m (nil) provision for a Lloyd's stop-loss policy.

Operating profits increased 121 per cent to £9.49m (£4.29m). The underwriting profit came out at £2.1m (loss of £1.8m) excluding stop-loss provisions.

The company had intended to float earlier this year, but postponed the move because of uncertainty over the size of losses stemming from underwriting stop loss reinsurance for Lloyd's Names, stemming from the 1989 and 1990 years.

With the scale of these losses now clearer - they are not expected to exceed £15m – listing plans are back on track.

It is understood that a placing and intermediaries offer could proceed by November. Lazard Brothers have been appointed financial advisers and Noble & Company will be co-sponsors. James Capel have been appointed brokers to the issue.

Gross written premiums increased by 56 per cent to £106.2m (£68.1m), with Independent taking advantage of increasing rates in both the personal and commercial risks markets.

Mr Michael Bright, chief executive, said extra capital was necessary to "keep solvency up" and fund further growth.

The group increased its interim dividend to 7p per share (6p) and forecast a final of 9.5p making 16.5p for the year (14p).

Cost cutting helps Lopex to £144,000

Lopex, the advertising and marketing services company, reported pre-tax profits of £144,000 for the first half of 1993. The comparable figure was a loss of £602,000, restated for FRS 3, and after losses on disposals of £477,000.

The pre-tax figure also benefited from lower interest charges of £187,000 (£465,000). However an increased tax charge of £270,000 (£136,000) contributed to retained losses of £141,000 (£766,000).

The company said there had been a big improvement in the UK largely due to the cost savings programme. Losses per share were 0.38p (3.24p).

Domestic & General rises to £7.7m

By Richard Lapper

DOMESTIC & General, the domestic appliance breakdown insurer, reported pre-tax profits up from £6.2m to £7.7m for the year to June 30.

Mr Martin Copley, the chairman, said he was "delighted with the progress" made by D&G, which has a share of about 12 per cent of the £350m a year appliance breakdown market.

Earnings per share were up 24 per cent to 75.63p and the dividend increased by 25 per cent to 22.5p. Turnover grew by 27.3 per cent to £56.29m (£44.23m), while underlying premium income, net of reinsurance, rose by 29.9 per cent to £50.03m.

Total contribution (underwriting profits before expenses) amounted to £13.57m (£11.23m) and investment income £6.14m (£5.86m). Expenses were £11.46m (£10.45m). Interest payable amounted to £282m (£380m) and the group contributed £277m (£68m) to the Policyholders' Protection Board.

Mr Copley said that less than 30 per cent of domestic appliances are insured and that D&G is seeking to increase penetration of the market by persuading customers to insure other appliances.

D&G launched a "multi-appliance policy" in June and aims to step up its efforts to expand in Europe, especially France and Germany. #

McDonnell Douglas IS at £5.2m

By Alan Cane

McDonnell Douglas Information Systems, the computing services company created through a buy-out from the US aerospace group earlier this year, performed encouragingly in its first half year of independence.

For the six months to June 30 pre-tax profits were £5.2m on revenues of £86.5m.

Mr Jerry Causley, chief executive, said he was pleased with the result given difficult trading conditions and the time and energy the company's management had devoted to the buy-out.

"We continue to generate profit from our focus of providing total IT solutions to specific market niches," he said. These include the health service and the police.

The company this year won the contract to manage all the computer operations for the Devon and Cornwall Police. Yesterday it announced it had won a £8.3m contract let by four hospitals in East Anglia.

MDIS traditionally performs significantly better in the second half of the year. Last year it reported operating profits of £19.6m on revenues of £160m.

No date has yet been set for flotation, although it is clear the company is waiting only for encouraging market conditions to complement its financial performance. Cash remains strong but no acquisitions are anticipated.

Britannia Group seeks £3.75m to fund acquisition of land

By Reg Vaughan

BRITANNIA GROUP is raising £3.75m net by way of a 1-for-1 rights issue at 35p a share primarily to fund the acquisition of housebuilding land.

The group, which yesterday also announced its results for the half year to June 30 showing pre-tax losses up from £155,000 to £868,000, has continued to reduce its financial commitment to property development and the policy of concentrating resources on construction had met with some success.

Britannia Homes, in its first full year of operation under the new management, showed a profit after interest of £277,000 on a turnover of £5.9m. Residential house sales were budgeted to rise substantially in the current year with unit sales completed in the half year up from 38 to 69. In July and August it completed a further 41 sales.

Group turnover in the half year from continuing operations was £15.61m (£15.83m). Gross profit came to £878,000 (£1.64m) after land provisions of £750,000 (nil).

Losses per share emerged at 7.6p (0.9p). The shares dipped 1p to 40p.

Copper prices slide further as supply squeeze eases

By Richard Mooney

LONDON METAL Exchange copper prices yesterday extended the decline that has continued uninterrupted since the exchange management acted a week ago against the squeeze on supplies that had been propping up nearby delivery positions.

The three months position, which stood at $1,947.50 a tonne before the LME announced that the cash/one day premium would be limited to $5 a tonne, fell by $30 yesterday to $1,858.50 a tonne. The cash position has fallen even more sharply since the announcement, by $112 to $1,899.50 a tonne.

Mr Wiktor Bielski, analyst at Bain and Company, part of the Deutsche Bank group, said that yesterday's sell-off followed the breach of the support level at $1,880 a tonne that had been under pressure since the end of last week. The resulting fall was exacerbated by the triggering of stop-loss selling orders, he added.

Even before the LME move the holders of short positions who were caught in the squeeze had been heartened by the uneventful passing on the first of this month of a critical options date. It had been feared that this could have been the occasion for the administration of the *coup de grâce* as the influential holders of call (buying) options declared them and forced granters to scramble for cash supplies at ever widening premiums. In the event, however, most of the options holders simply rolled them forward into October and December.

That was why, explained Mr Bielski, the backwardation

LME WAREHOUSE STOCKS (As at Monday's close) tonnes		
Aluminium	+4,675	to 2,137,575
Copper	+5,850	to 532,000
Lead	+1,325	to 283,800
Nickel	+720	to 111,048
Zinc	+4,100	to 778,700
Tin	+50	to 21,625

(cash premium) against forward positions remained substantial while the cash/one day premium had been eliminated altogether. The one month premium yesterday was about $27 a tonne while the three months was $41, having narrowed from $70 a week earlier.

If the "shorts", further encouraged by the one-day backwardation limit, were feeling more comfortable now, the longs were "not too worried", Mr Bielski suggested. He thought much of the long options position represented actual physical demand.

There were reasons, moreover, for believing that the perceived fundamental situation could have changed substantially by the time those options fell due again. "We are on the fringes of the seasonal pick-up in demand," Mr Bielski said. "Elections are coming in Chile [an important supplier of copper] and there are still a number of production disruptions around the world."

Although LME warehouse stocks of copper stood at a 15-year high, Mr Bielski argued that the overall stock level, at between seven and eight week's of world supply, was "a low level for coming out of a recession" and could quickly be brought down to size by an upturn in demand.

Demand was holding up quite well in developed countries and was strong in developing economies, he said. And there was not enough new smelting capacity in the pipeline to cover probable demand growth over the next few years.

In the past few years oversupply had been aggravated by shipments form the former Soviet Union, the analyst noted. But most of that metal had been "toll" smelted using European concentrates (an intermediate material) that were excess to requirements. Europe's surplus concentrates had now been used up, he said, and there was not enough to keep its own smelters fed. So there was bound to be a sharp reduction in shipments from the Commonwealth of Independent States.

Cocoa futures climb to fresh highs

By Richard Mooney

THE LONDON cocoa market continued its recent upward trend yesterday as bullish sentiment was fuelled by rumours of defaults on Indonesian shipments.

For while it looked as though an assault would be mounted on the psychological barrier at £900 a tonne for the December futures position; but the rise faltered at £890 and by the close the December contract had eased back to £880 a tonne, up £13 on the day and the highest second position close for 38-months.

Dealers were undaunted, however, and most thought further gains were on the way. "We had been forecasting that the December price would reach 1,000 by the end of the year," said Mr Lawrence Eagles, commodities analyst at GNI, the London trade house. "Now it looks as though it could make that by the end of the month."

To achieve that level, he noted, further technical hurdles would have to be cleared at £958 a tonne, the life-of-contract high for the December position, and at £967, the long-time high for the second position (reached on May 24, 1990).

The main inspiration behind the latest upsurge, which lifted the December quotation by £30 last week and has added another £24 so far this week, has been the growing conviction that the level of world stocks is set to fall heavily.

Mr Eagles explained that the settlement of disposal arrangements for the 230,000 tonnes in the International Cocoa Organisation buffer stock, under which regular monthly releases will be made, meant that the buffer stock effectively became a supplier and that its beans could be deleted from overall stocks. Together with an expected world production shortfall of between 200,000 and 300,000 tonnes in the coming season, that meant that the world cocoa stock, about 1.2m tonnes at present, would shrink by between 430,000 and 530,000 tonnes.

Further upward pressure has been provided of late, Mr Eagles said, by the lifting of "short hedges" (market insurances against price falls) as operators became more confident about the outlook for prices.

In addition, he said, speculators who had gambled on a substantial "correction" being made to the recent price rise were cutting their losses and making covering purchases.

Banker says aluminium prices are too low to finance smelter borrowing

By Kenneth Gooding, Mining Correspondent in Montreal

BANKS WOULD want to see the aluminium price at between US$1,600 and $1,700 – nearly 50 per cent above the present depressed levels – before offering loans for new aluminium smelters, said Mr Louis Vincinguerra, former finance director of Pechiney and now a general partner at Banque Rothschild in France.

Only at that price level would new smelters cover their full costs.

Prices would return to that level if the industry shut down 1.5m tonnes of annual capacity, he suggested. That was far higher than recent estimates made by other analysts, but Mr Vincinguerra was considering not just the west in isolation but all the world, including eastern Europe.

Eastern European producers should contribute to these cuts, he suggested, adding: "They must learn that it is better to sell less aluminium at significantly higher prices".

Mr Cincinguerra said at Metal Bulletin magazine's annual aluminium conference that only 3 per cent of western smelter capacity was profitable at today's prices. If annual aluminium demand grew at only 1 per cent it would be virtually impossible to claw back to a price of $1,600 a tonne. However, if the previous 3 per cent growth rate was resumed world stocks would start to go down from 1995 onwards, though it would take several years for all the excess to be absorbed.

Nevertheless, there was no reason to be pessimistic about the future of the industry, he said. All the main markets – transport, construction, packaging and electric cable – were growing.

● Some 300,000 tonnes of aluminium capacity in Brazil, about 25 per cent of the total, was threatened with closure because of high power costs, Mr Ivo Barone, president of the Brazilian Aluminium Association, told the conference.

Inefficiency and poor management at the state-owned power companies had boosted the cost of hydro-electric power to a level where it was absorbing as much as 35 per cent of the revenues of some smelters and making energy the single most significant cost.

Alcan had already shut 36,000 tonnes of capacity because of increased power costs and others in the industry would follow unless special power rates could be negotiated.

Even the two new large export-oriented smelters in the north of Brazil – Albras and Alumar – were threatened when their special power contracts ended in 2005.

One solution would be for the industry, which exports about 75 per cent of its production, to build its own power plants, but at present companies were not generating enough cash to do this because of the low world prices for the metal.

Trinidad and Tobago tries to gear up for oil and gas recovery

Canute James on moves to expand output, despite sagging prices

IN THE face of a soft international market, Trinidad and Tobago's small hydrocarbons industry is moving to expand production of oil and natural gas, with government officials claiming that the Caribbean producer should be ready to take early advantage of any bounce in the market.

The country's economy is heavily dependent on the petroleum sector, and has suffered in recent years from a decline in production because of maturation of the major fields. Crude production last year averaged 135,800 barrels a day, compared with an average of 155,000 b/d five years earlier. Production fell further to 126,000 b/d in the first quarter of this year.

In an effort to rationalise the industry, the government has changed its tax legislation for oil producers, repealing an oil recovery impost that was introduced in 1987 but increasing the level of its existing petroleum profits tax from 45 per cent to 50 per cent.

Government officials estimated that the new tax legislation would cost the treasury about TT$150m (US$26m) in the first year, but that the changes were expected to encourage more investments in the oil industry. They said the government was hoping that new investors in the oil sector would increase national production as demand for oil was not buoyant because of a sluggish world economy. The government is particularly keen to attract companies that would drill to 20,000 feet if necessary – a depth that would incur costs of US$20m per well, the officials said.

There is no lack of foreign investor interest in Trinidad and Tobago's petroleum sector. The industry is to benefit from a US$411m investment for an off-shore and on-shore secondary oil recovery programme,

Production levels have begun to suffer in recent years as major fields have reached maturity

and to expand refining throughput. It is being financed by the Inter-American Development Bank, the Japan Import-Export Bank, the Commonwealth Development Corporation, the European Investment Bank, the Caribbean Development Bank and the country's state-owned oil company.

Government officials say the oil recovery programme will start on-shore and is expected to yield 13m barrels of heavy crude. The off-shore recovery programme is expected to yield 17m barrels of lighter crude. The refinery throughput expansion will lift the processing of domestic crude from the current level of about 100,000 to 160,000 b/d.

The government has projected that the oil recovery and refinery throughput expansion will earn the country about US$1.3bn over the next 15 years. The industry is benefiting from two agreements with Maraven of Venezuela for processing crude. One is for 40,000 b/d day of lago treco crude and the other for processing 30,000 b/d of lago cinco.

The rationalisation of the industry has seen the creation of a new company, the Petroleum Company of Trinidad and Tobago (Petrotrin), which will take over and merge the operations of two existing state-owned companies. Petrotrin's formation followed the government's conclusion that neither of the existing companies "has the financial ability at this stage to embark on the widespread activity that is required to develop the assets they have in their possession," say industry observers.

The creation of Petrotrin is a condition for the loan for upgrading the refineries and secondary the recovery of heavy oil. "The first project of Petrotrin will be implementation and management of this project," one official said. "This will coincide with Petrotrin's divestment of the government's two-thirds shareholding in the Trinidad and Tobago Marine Company, which produces from offshore wells. The money from the divestment will go towards Petrotrin's contribution to refinery improvement and heavy crude recovery project."

Among the new foreign companies that are moving into the industry is the Unocal Corporation of California which has signed an agreement with the government to explore for oil in a block 45 miles off the east coast of Trinidad. The company will spend US$22m to explore the block over three years. It is drilling three wells and acquiring seismic data.

There is also foreign interest in the country's natural gas industry. Enron Oil and Gas of Houston, Texas is investing $250m over five years to develop gas fields and produce natural gas off Trinidad's south-east coast. The project aims to develop three off-shore gas fields, with the first scheduled to start production before the end of this year at a rate of 50m cubic feet a day. The venture's production rate will reach 150m cu ft a day when all three wells are brought on stream by 1997.

British Gas and Texaco Incorporated are investing US$350m in a project off Trinidad's east coast to produce 275m cu ft a day. Mr Arthur Beall, president of British Gas, said Trinidad and Tobago could become one of the leading gas producers in the hemisphere.

Trinidad and Tobago has 9.5 trillion (million million) cu ft of proven reserves and 17.5 trillion cu ft of probable reserves of natural gas. The country's natural averages 730m cu ft a day.

Australian wheat forecast reduced

By Nikki Tait

THE FORECAST for Australia's wheat crop in 1993-94 has been reduced. The Australian Bureau of Agricultural and Resource Economics said yesterday it now expected only 15.3m tonnes to be produced, compared with its previous estimate of 15.7m tonnes.

"Planted areas in South Australia, Queensland and western New South Wales have been revised downward," it commented. "Drought in central Queensland severly reduced wheat plantings".

Indian cotton export quota falls short of expectations

By R.C. Murthy in Bombay

THE INDIAN government yesterday announced a cotton export quota of 500,000 bales (170kg each) for the year beginning September 1.

The quota falls well short of trade expectations that at least 1.3m bales would be allocated to exports, the quantity that was sold abroad last year.

The trade has projected a crop of at least 13.5m bales this year, and with the carryover stock of 3.65m bales the total availability is expected to be 17.2m bales, up by 300,000 bales over last year.

The export quota is comprised of 100,000 bales of short staple cotton, called Bengal Deshi, and 400,000 bales of staple cotton.

Mr M.B. Lal, Chairman of Cotton Corporation of India, said the administration wanted to keep a close watch on the crop because of the vagaries of nature. It feared an announcement of a large export quota might fuel a spurt in prices affecting exports of yarn and garments.

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,565-1,610 (same).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 2.30-2.50 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, 0.40-0.45 (same).

COBALT: MB free market, 99.8 per cent, $ per lb, in warehouse, 12.00-12.55 (same); 99.3 per cent, $ per lb, in warehouse, 11.10-11.60 (11.05-11.55).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 95-110 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 2.40-2.45 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 4.55-5.30.

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO_3, cif, 20-33 (same).

VANADIUM: European free market, min. 98 per cent, $ a lb V_2O_5, cif, 1.30-1.40 (same).

URANIUM: Nuexco exchange value, $ per lb, U_3O_8, 6.90.

WORLD COMMODITIES PRICES

MARKET REPORT

Base metals prices were mostly lower at the London Metal Exchange in line with copper (see story above). The three months **ALUMINIUM** price slumped to a 4½-month low of $1,125 a tonne and dealers said fresh production cuts were sorely needed to turn sentiment around. Losses were pared in late trading but the price still ended ended $6 down at $1,128 a tonne. Three months **TIN** slipped to a fresh 20-year low of $4,510, maintaining the current downtrend, and ended at $4,525, a $25 fall on the day. The **NICKEL** market was depressed by rising stocks and lessening concern over supply disruptions at Inco's Thompson Manitoba facilities, as a tentative pact was agreed. Some support appeared near $4,500, however, and final business was at $4,530a tonne, down $20. **ZINC** generally ignored the trend, with trade interest helping to hold the market steady, and the three months price closed at $887.50 a tonne, a $1.50 gain. At the London bullion market the **GOLD** price steadied after an early fall to finish just above the technically significant $345-a-troy-ounce mark.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Oct)		+ or -
Dubai	$15.91-6.01u	+0.07
Brent Blend (dated)	$15.52-5.54	+0.145
Brent Blend (Oct)	$15.78-5.82	+0.085
W.T.I (1 pm est)	$17.00-7.02u	+0.18
Oil products (NWE prompt delivery per tonne CIF		+ or -
Premium Gasoline	$188-190	-1
Gas Oil	$166-167	+3
Heavy Fuel Oil	$60-62	-0.05
Naphtha	$146-148	
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$345.25	+1
Silver (per troy oz)♣	402.5c	+3
Platinum (per troy oz)	$351.75	-1
Palladium (per troy oz)	$115.75	-1.5
Copper (US Producer)	90.00c	
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	11.22m	-0.08
Tin (New York)	210.0c	-4
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	120.99p	-4.25*
Sheep (live weight)†♠	78.51p	[illegible]
Pigs (live weight)†	67.23p	-4.32*
London daily sugar (raw)	$255.0	+6.4
London daily sugar (white)	$292.6	+3.6
Tate and Lyle export price	£276.0	+5.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£172.0	
Wheat (US Dark Northern)	£168.5u	+1.5
Rubber (Oct)♥	59.25p	-0.25
Rubber (Nov)♥	59.50p	-0.25
Rubber (KL RSS No 1 Jul)	215.0p	-0.5
Coconut oil (Philippines)§	$425.0v	-5
Palm Oil (Malaysian)§	$360.0u	
Copra (Philippines)§	$290	
Soyabeans (US)	£188.0	+5
Cotton "A" index	55.55c	
Wooltops (64s Super)	319p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. v-Sep/Oct u-Oct t-Oct/Dec x-Aug/Sep ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices * change from a week ago. provisional prices.

SUGAR – LCE			($ per tonne)
White	Close	Previous	High/Low
Oct	271.50	278.60	278.00 271.20
Dec	263.30	272.90	272.00 262.50
Mar	267.80	274.60	274.00 267.00
May	270.80	277.90	275.80 274.50
Aug	275.30	282.40	281.00 279.50

White 11473(2095) Paris- White (FFr per tonne): Oct 1520.40 Dec 1470.78

CRUDE OIL – IPE			$/barrel
	Latest	Previous	High/Low
Oct	15.68	15.82	15.98 15.67
Nov	16.04	16.10	16.33 16.01
Dec	16.31	16.33	16.55 16.31
Jan	16.53	16.50	16.73 16.51
Feb	16.75	16.69	16.87 16.75
Mar	16.87	16.83	17.06 16.87
Apr	17.05	16.99	17.20 17.05
May	17.12	17.10	17.31 17.12
Jun	17.23	17.23	17.45 17.23
IPE Index	15.73	15.76	15.73 15.73

Turnover 39627 (46713)

GAS OIL – IPE			$/tonne
	Close	Previous	High/Low
Oct	161.75	159.25	161.75 159.50
Nov	162.75	161.25	163.25 161.25
Dec	164.75	163.00	165.25 163.25
Jan	166.25	165.00	166.50 165.00
Feb	166.50		166.25 166.25
Mar	165.00	163.50	164.50 164.00
Apr	163.00	162.00	163.00 163.00
Jun	160.75	159.50	161.75 160.50

Turnover 11006 (12968) lots of 100 tonnes

JUTE

C and F Dundee, BTC US$305, BWC US$305, BTD US$305, BWD US$310. C and F Antwerp, BTC US$310, BWC US$310, BTD US$285, BWD US$285.

COTTON

LIVERPOOL-Spot and shipment sales amounted to 48 tonnes for the week ended 10 September, against 122 tonnes in the previous week. Subdued offtake did not bring many operations. Support was forthcoming in certain specialist styles, notably in the Turkish range.

COCOA – LCE			£/tonne
	Close	Previous	High/Low
Sep	845	840	849 841
Dec	880	867	890 871
Mar	905	890	915 899
May	918	898	921 912
Jul	926	909	929 924
Sep	937	921	941 931
Dec	949	934	952 945
Mar	960	946	966 958
May	969	956	978 967
Jul	980	983	983

Turnover:18276 (5005) lots of 10 tonnes

ICCO indicator prices (SDRs per tonne). Daily price for Sep 13 898.30 (889.48) 10 day average for Sep 14 864.62 (859.31)

COFFEE – LCE			$/tonne
	Close	Previous	High/Low
Sep	1357	1351	1363 1330
Nov	1297	1264	1300 1247
Jan	1277	1245	1283 1230
Mar	1265	1247	1276 1225
May	1266	1247	1275 1224

Turnover: 3546 (3592) lots of 5 tonnes

ICO indicator prices (US cents per pound) for Sep 13 Comp. daily 72.72 (73.78) 15 day average 70.95 (70.58)

POTATOES – LCE			£/tonne
	Close	Previous	High/Low
Apr	86.3	84.3	87.0 84.5
May	97.8	97.3	97.5 97.0

Turnover 154 (70) lots of 20 tonnes.

FREIGHT – LCE			$10/index point
	Close	Previous	High/Low
Sep	1467	1458	1467 1465
Oct	1518	1508	1520 1515
Nov	1516	1515	1520 1520
Jan	1520	1511	1521 1515
Apr	1525	1530	1530 1525
Jul	1320		1320
BFI	1419	1415	

Turnover 250 (269)

GRAINS – LCE			£/tonne
Wheat	Close	Previous	High/Low
Sep	101.00		101.00
Nov	102.90	102.90	103.00 102.50
Jan	104.90	104.80	105.00 104.60
Mar	106.95	106.25	107.00 106.75
May	109.10	108.45	109.20 108.95
Barley	**Close**	**Previous**	**High/Low**
Sep	100.50	100.30	100.75 100.70
Jan	105.00		105.00
Mar	107.25		107.25
May	108.10		108.35

Turnover: Wheat342 (167) Barley 35 (34).
Turnover lots of 100 Tonnes.

LONDON METAL EXCHANGE				(Prices supplied by Amalgamated Metal Trading)		
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)					Total daily turnover 41,324 lots	
Cash	1106.5-07.5	1112.5-13		1105-05.5		
3 months	1127-27.5	1132.5-33	1132/1125	1125.5-26	1128.5-29	248,101 lots
Copper, Grade A ($ per tonne)					Total daily turnover 97,156 lots	
Cash	1898-900	1930-32	1896	1898-99		
3 months	1858-59	1898-99	1867/1856	1865-66	1862-62.5	184,441 lots
Lead ($ per tonne)					Total daily turnover 2,988 lots	
Cash	378-79	379-79.5		382.5-83		
3 months	392-93	393-93.5	395/392	393.5-94	394-95	23,985 lots
Nickel ($ per tonne)					Total daily turnover 13,368lots	
Cash	4480-85	4500-10	4485	4485-88		
3 months	[illegible]	4550-60	4540/4520	4526-27	4525-30	50,077 lots
Tin ($ per tonne)					Total daily turnover 3,184 lots	
Cash	4470-75	4490-500		4458-63		
3 months	4520-25	4540-50	4510/4530	4510-11	4527-28	10,628 lots
Zinc, Special High Grade ($ per tonne)					Total daily turnover 18,394 lots	
Cash	868.5-69.5	869-70	867.5	867.5-68		
3 months	885.5-86	886-86.5	888/880	884-85	887-7.5	79,441 lots

LME Closing £/$ rate: SPOT: 1.5464 3 months: 1.5380 6 months: 1.5280 9 months: 1.5206

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)		
Gold (troy oz)	$ price	£ equivalent
Close	345.00-345.50	
Opening	341.80-342.20	
Morning fix	342.05	222.327
Afternoon fix	343.70	223.109
Day's high	345.10-345.60	
Day's low	341.30-341.80	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.68	6 months	2.54
2 months	2.61	12 months	2.54
3 months	2.56		

Silver fix	p/troy oz	US cts equiv
Spot	254.70	392.35
3 months	258.35	395.30
6 months	261.65	398.25
12 months	268.70	405.30

GOLD COINS		
	$ price	£ equivalent
Krugerrand	342.00-345.00	222.00-224.00
Maple leaf	354.65-358.90	-
New Sovereign	81.00-84.00	52.00-54.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Feb	Nov	Feb
1100	35	62	15	19
1125	21	47	23	29
1150	12	35	39	41
Copper (Grade A)	Calls		Puts	
1900	28	55	64	90
1950	14	38	100	122
2000	7	25	142	156
Coffee LCE	Nov	Jan	Nov	Jan
1200	129	156	32	59
1250	96	109	51	82
1300	72	85	75	106
Cocoa LCE	Dec	Mar	Dec	Mar
775	113	150	8	20
800	93	132	13	27
825	75	114	20	34
Brent Crude	Oct	Nov	Oct	Nov
1650		38		65
1700		17		89
1750		8		130

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Sep	344.8	342.7	0	0
Oct	345.2	343.1	346.0	342.8
Nov	346.0	343.9	0	0
Dec	346.9	344.8	348.0	344.4
Feb	348.6	346.5	349.8	346.2
Apr	350.2	348.1	350.5	348.0
Jun	351.8	349.7	352.4	351.0
Aug	353.4	351.3	353.5	351.3
Oct	355.0	352.9	0	0

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Oct	352.5	352.6	354.0	350.5
Jan	354.5	354.5	356.0	353.5
Apr	356.0	356.0	356.0	355.0
Jul	357.0	357.0	357.0	357.0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Sep	397.2	390.5	400.0	391.0
Oct	398.4	391.7	0	0
Nov	400.3	393.6	0	0
Dec	400.5	393.8	407.0	392.0
Jan	400.8	394.1	0	0
Mar	404.3	397.7	411.0	397.0
May	407.3	400.4	413.0	400.0
Jul	409.9	402.9	415.0	410.0
Sep	412.6	405.4	406.0	406.0
Dec	416.6	409.6	[illegible]	408.5

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	82.50	82.70	82.50	81.00
Oct	82.45	82.75	82.65	81.60
Nov	82.65	82.80	81.50	81.50
Dec	82.65	82.90	83.00	81.30
Jan	83.00	83.10	82.25	81.80
Feb	83.20	83.30	0	0
Mar	83.40	83.55	83.00	82.30
Apr	83.60	83.80	83.00	83.00
May	83.80	84.05	83.50	82.90
Jun	83.95	84.20	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Oct	16.83	16.95	17.18	16.76
Nov	17.17	17.30	17.49	17.13
Dec	17.52	17.66	17.81	17.49
Jan	17.79	17.90	18.04	17.78
Feb	18.00	18.11	18.23	18.00
Mar	18.21	18.30	18.44	18.21
Apr	18.35	18.48	18.59	18.40
May	18.50	18.60	18.73	18.55
Jun	18.71	18.72	18.85	18.71
Jul	18.94	18.84	18.99	18.94

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Oct	51.55	51.39	52.25	51.35
Nov	52.55	52.42	53.20	52.50
Dec	53.45	53.31	54.10	53.40
Jan	54.10	54.01	54.85	54.00
Feb	54.50	54.36	55.00	54.50
Mar	54.05	53.86	54.45	54.05
Apr	53.40	53.06	53.40	53.40
May	52.60	52.36	52.80	52.70
Jun	52.10	51.96	52.50	52.10
Jul	52.80	52.21	52.80	52.80

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Sep	1046	1113	1075	1075
Dec	1160	1174	1190	1166
Mar	1206	1225	1237	1205
May	1230	1248	1255	1230
Jul	1254	1275	1275	1273
Sep	1274	1290	1299	1286
Dec	1301	1314	1314	1301
Mar	1327	1340	1346	1341
May	1342	1350	1358	1356
Jul	1358	0	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	79.90	78.70	79.70	79.50
Dec	82.65	81.55	83.70	81.40
Mar	84.70	83.35	85.70	83.30
May	86.00	85.00	86.25	84.75
Jul	86.85	86.00	87.50	86.40
Sep	88.05	87.30	88.30	87.70
Dec	91.25	90.50	91.00	91.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	9.40	9.63	9.62	9.28
Mar	9.85	10.08	10.03	9.75
May	9.95	10.13	10.12	9.89
Jul	10.01	10.21	10.20	10.00
Oct	10.03	10.25	10.20	10.18

COTTON 50,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	56.65	57.75	58.00	56.25
Dec	58.30	59.30	59.65	58.06
Mar	59.75	60.75	61.00	59.65
May	60.35	61.50	61.40	60.30
Jul	61.10	62.20	62.00	61.10
Oct	61.20	62.30	0	0
Dec	61.36	62.29	62.10	61.22

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Sep	116.75	117.15	117.55	117.00
Nov	119.00	119.35	119.90	118.60
Jan	121.15	121.60	122.20	120.75
Mar	123.00	123.00	123.35	123.00
May	124.00	124.00	124.00	123.50
Jul	125.00	125.00	124.50	124.50
Sep	125.50	125.50	0	0
Nov	125.50	124.00	0	0
Jan	125.50	124.00	0	0

INDICES

REUTERS (Base:September 18 1931 = 100)			
Sep 14	Sep.13	mnth ago	yr ago
1636.4	1638.5	1623.0	1531.0

DOW JONES (Base: Dec. 31 1974 = 100)				
	Sep 13	Sep 10	mnth ago	yr ago
Spot	120.82	121.56	123.66	118.04
Futures	126.12	127.09	125.56	114.96

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Sep	630/6	638/4	635/0	626/0
Nov	626/6	633/4	632/0	621/0
Jan	631/6	638/6	637/0	626/6
Mar	637/2	643/0	642/0	632/4
May	639/6	645/4	644/0	635/4
Jul	643/2	647/4	647/0	638/0
Aug	639/0	645/0	643/0	638/4
Sep	626/0	626/0	628/0	623/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Sep	22.88	23.00	22.95	22.74
Oct	22.89	23.61	23.01	22.74
Dec	23.04	23.17	23.16	22.88
Jan	23.10	23.24	23.19	22.94
Mar	23.16	23.29	23.23	22.98
May	23.17	23.30	23.26	23.00
Jul	23.12	23.25	23.20	22.95
Aug	22.95	23.15	23.10	22.85

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Sep	197.0	199.9	198.5	195.0
Oct	196.5	198.1	197.5	194.7
Dec	196.4	197.8	197.8	194.3
Jan	197.2	198.1	198.0	195.5
Mar	199.4	199.6	199.5	197.3
May	200.5	200.7	201.0	198.5
Jul	203.0	202.8	203.0	200.3
Aug	202.0	202.1	202.2	200.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Sep	229/0	230/4	231/2	228/6
Dec	236/5	238/6	239/4	236/4
Mar	244/4	246/6	247/0	244/2
May	249/6	251/6	252/0	249/4
Jul	252/4	254/4	255/0	252/4
Sep	248/4	250/0	250/4	248/4
Dec	245/2	247/2	247/0	245/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Sep	294/2	295/2	295/6	293/4
Dec	305/0	306/0	307/2	304/4
Mar	310/2	311/6	311/6	310/0
May	307/2	310/2	309/0	307/0
Jul	300/6	302/2	302/0	300/0
Sep	304/6	306/4	0	0
Dec	314/6	316/4	0	0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	74.900	75.200	75.300	74.725
Dec	75.175	75.625	75.850	75.050
Feb	75.875	76.225	76.275	75.825
Apr	76.575	76.725	76.850	76.500
Jun	73.000	73.200	73.350	72.975
Aug	71.825	72.050	72.250	71.825
Oct	72.825	72.825	72.875	72.825

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Oct	49.700	49.925	50.000	49.350
Dec	49.050	49.050	49.250	48.500
Feb	47.700	47.575	47.800	47.325
Apr	45.875	45.825	45.875	45.500
Jun	50.075	50.025	50.100	49.850
Jul	49.150	48.950	49.150	48.850
Aug	47.675	47.700	0	47.550
Oct	43.900	44.000	44.000	43.900

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	49.875	51.300	51.300	49.650
Mar	49.350	50.650	50.700	49.300
May	50.350	52.050	50.800	50.300
Jul	50.400	51.500	51.500	50.400
Aug	50.825	52.425	50.825	50.425

LONDON STOCK EXCHANGE

Nervous close to a confused session

By Terry Byland, UK Stock Market Editor

ANOTHER nervous trading day saw London equities abandon much of a midsession rally after British government bonds reacted to weakness in New York in the face of the latest US consumer price data. Once again, UK securities houses traded busily between the blue chip shares and stock index futures ahead of Friday's expiry in futures markets.

Wider economic uncertainties also played a part in market trading. At home, the rebasing of official industrial production data overshadowed the market's initially favourable response to the statistics for July. The stock market took a cautious view of the possible implications of a firm statement on public sector pay policies from the UK government.

A lower opening in London equities, which took the FT-SE 100 Index down by 10.5 points, reflected the 200-point fall in the Nikkei average following the announcement of a slight decline in gross national product and a high trade surplus.

However, the stock market rallied as soon as stock index futures started trading, and showed a premium on the September contract on the Footsie which expires on Friday and currently dominates stock market attention.

By early afternoon the FT-SE 100 had replaced its early fall of 10 points with a similar gain, taking it to the day's peak of 3,035.3. But the premium on the Footsie futures contract then began to melt away, leaving the London market exposed to the effects of a setback in UK bond prices and a fall of 22 Dow points in early trading on Wall Street.

The final reading put the Footsie at 3,028, with the day's gain reduced to a mere 3.2 points. This contrasted with a fall of 12.9 to 3,458.6 for the FT-SE Mid 250 Index as profit-takers in the smaller stocks had to pay a price penalty.

Underlying worries over corporate earnings trends were not helped by reports yesterday from the insurance and engineering sectors, and good half-time figures from Kingfisher, the stores group, were taken coolly.

Rumours that Mr Nicholas Knight, king of the UK market bulls, was losing his nerve, proved incorrect. However, while standing to his Footsie forecasts of 3,500 at end-1993 and 3,700 at end-1994, he admitted to a "more hesitant stance in the short term", adding that the move to 3,500 could come very late in the year – and/or from lower levels.

S.G. Warburg, linked to its more cautious Footsie prediction of around 2,900 at end-1993, commented that the key to further gains in the stock market remains strong earnings growth, "and it is precisely here that the questions are arising . . ."

Heavy turnover in stock index futures was the chief factor behind the increase in Seaq volume in equities to 593.1m shares from Monday's 585.3m; non-Footsie stocks made up around 60 per cent of the total.

But retail, or customer, business, the true measure of the health of investment activity in equities, fell away on Monday as trading was dominated by intra-market dealings by securities houses bracing themselves for the stock index future expiry. By value, retail business fell to £1.06bn, well at the lower end of the range established over the past 12 months. Daily retail business has averaged around £1.4bn since sterling left the ERM network in September 1992.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change
ASDA Group†	8,300	63	
Abbey National†	1,200	402	+1
Albert Fisher	862	71	-2
Allied-Lyons†	1,100	593	+3
Anglian Water†	644	545	+2
Argos	342	349	
Argyll Group†	2,400	308½	-½
Arjo Wiggins†	637	218	+1
Assoc. Brit. Foods†	588	510	+5
Ass. Brit. Ports	1,100	437	+17
BAA†	822	920	+4
BAT Inds.†	4,600	465½	+7
BET	2,900	127	-2½
BICC	2,500	416	-9
BOC†	1,400	636	-6
BP†	4,500	304	+3
BPB Inds.	692	257	+5
BT†	5,800	419	-1
BT (P/Paid)	3,800	178	-½
BTR†	7,500	379½	-4
Bank of Scotland†	281	167	
Barclays†	1,800	505	+1
Bass†	2,800	482	-1
Blue Circle†	2,900	282	
Booker	1,000	425	
Boots†	2,000	491	+2
Bowater†	791	474	
Brit. Aerospace†	2,700	420	-8
British Airways†	3,800	365	+6
British Gas†	5,600	328½	-2
British Land	2,700	393	-8
British Steel†	8,580	108	-2½
Bunzl	917	143	-1
Burmah Castrol†	70	771	-8
Burton	1,300	75½	+½
Cable & Wire.†	1,400	827	-6
Cadbury Schweppes†	2,300	469	-2
Calor Group	654	277	-8
Carlton Comms.†	1,600	735	-10
Coats Viyella†	3,000	257	-4
Comm. Union†	1,300	613	+1
Cookson	1,700	268	+6
Courtaulds†	1,600	515	-5

	Volume 000's	Closing Price	Day's change
Dalgety	257	493	+3
De La Rue†	117	875	-1
Dixons	1,600	236	+3
Eastern Elect.	386	548	-2
East Midland Elect.	792	537	+1
Eng China Clays	330	434	+6
Enterprise Oil†	2,800	459	-5
Eurotunnel Units	621	497	+6
FKI	405	150	
Fisons	3,500	167	-9
Foreign & Col. I.T.	1,000	244½	
Forte†	3,080	241	+1
Gen. Accident†	38	676	+2
General Elect.†	5,000	340	+1
Glaxo†	4,900	625	+2
Glynwed Intl.	132	307	-1
Granada†	775	453	+7
Grand Met.†	4,100	431	+1
GUS A†	434	2125	-8
GRE†	1,400	219	
GKN	473	480	-3
Guinness†	3,600	489	-4
HSBC (75p shs)†	1,800	701	+8
Hammerson 'A'	705	364	-5
Hanson†	9,800	251	-1¼
Harrisons Crosfield	541	184	+1
Hillsdown	6,400	165	+1
IMI	198	289½	-3½
ICI†	3,000	738	+8
Inchcape†	2,600	530	-8
Johnson Matthey	93	458	-1
Kingfisher†	5,000	645	-1
Kwik Save	132	710	-7
Ladbroke†	1,100	198	-1
Land Securities†	2,100	671	-1
Laporte	543	621	-2
Legal & General†	1,300	492	-4
Lloyds Abbey	2,700	490	+1
Lloyds Bank†	1,600	547	+7
LASMO	2,700	198	-5
London Elect.	526	568	+1
Lonrho	1,200	119	-½
Lucas	2,100	185	-1

	Volume 000's	Closing Price	Day's change
MB Caradon†	2,900	317	-3
MEPC	1,400	494	-4
MFI	798	147	-1
Manweb	38	587	-1
Marks & Spencer†	2,500	385½	+½
Midlands Elect.	162	577	-6
Morrison (Wm.)	715	132	
NFC†	1,000	259	
NatWest Bank†	1,700	487	+7
National Power†	1,900	382	-1
Next	944	206½	+5½
[illegible]			
Rothmans†	289	661½	-16½
Ryl Bk Scotland†	1,400	298	
Royal Insurance†	845	309	-4
Saatchi	1,600	189	
Sainsbury†	2,000	432	-4
Scottish & New.†	688	480	+5
Scot. Hydro-Elect.†	1,900	391½	-1½
Scottish Power†	1,700	366½	+½
Sears†	8,600	115	-1
Sedgwick	1,400	186	-4
Seeboard	138	408	+1
Severn Trent Water†	428	582	+1½
Shell Transport†	3,900	659	-8

	Volume 000's	Closing Price	Day's change
Siebe†	798	523	-2
Slough Ests.	558	241	-2
Smith (W.H.) A	325	446	-7
Smith & Nephew†	4,800	149½	-1
SmKl Beecham†	5,400	409	+5
SmKl Beecham Uts.†	3,400	383	+7
Smiths Inds.	182	577	-3
Southern Elect.	729	538	-8
South Wales Elect.	107	606	-3
South West Water	472	580	+6
South West. Elect.	67	582	-4
[illegible]			
Vodafone†	7,000	494	
Warburg (SG)†	[illegible]	[illegible]	
Wellcome†	1,900	724	+1
Welsh Water	518	633	-8
Wessex Water	163	545	
Whitbread 'A'†	2,100	545	+7
Williams Hdgs.†	2,800	329	+5
Willis Corroon	1,400	230	-2
Wimpey	335	180	-2
Wolseley†	172	640	-6
Yorkshire Elect.	88	584	-1
Yorkshire Water	136	595	
Zeneca†	3,000	783	+14

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:		
Sep 6	Sep 20	Oct 4
Option Declarations:		
Sep 16	Sep 30	Oct 14
Last Dealings:		
Sep 17	Oct 1	Oct 15
Account Day:		
Sep 27	Oct 11	Oct 25

*New time dealings may take place from two business days earlier.

Insurance brokers shaken

SHOCK results from Steel Burrill Jones sent the insurance broker's share price plummeting by a third, the biggest slide in the London market yesterday, and knocked the rest of the sector.

The firm announced a first-half loss of £3.9m, against a profit of £6.23m last time, and an interim dividend reduced to 3p from 4.25p. It said in the company statement that it would expect to make around £3.5m in the second half, suggesting a full-year loss of £400,000.

An insurance analyst at Hoare Govett said the market had been looking for a full-year figure of £11.5m and a dividend of 13.8p. "There were some real bulls out there and they were caught out," he added.

Steel Burrill's share price was marked down heavily at the start of trading and closed 86 lower at 161p. The rest of the sector was also hit, although some analysts said Steel's problems were specific and no reason for the sector to suffer. Sedgwick and Willis Corroon, the leaders, held up well but C.E. Heath fell 14 to 396p, Lloyd Thompson 6 to 307p and Hogg Group 8 to 218p.

Delta plunges

Shares of electrical engineering company Delta plunged as brokers cut full-year profits expectations after the group announced interim figures well below market forecasts.

The stock lost 8 per cent of its value, finishing 44 down at 510p, after the company reported a 6 per cent decline in profits to £29.1m. The figures were accompanied by a gloomy chairman's statement, in which he warned that "the UK recovery as far as manufacturing is concerned remains more anaemic than many observers suggest, and activity in continental Europe has yet to see the benefit of progressive interest-rate reductions".

Analysts downgraded full-year profits forecasts and the range is now £60m to £62m, having been £68m to £70m.

Drugs supported

Nervousness in the pharmaceuticals sector following the previewing of US health proposals dried up yesterday as some UK houses looked at the sector's relative value against the market.

NatWest Securities published a buy recommendation arguing that "short-term, performance will continue to be underpinned by low valuations and a lack of value elsewhere." Over the past 12 months the UK health and household sector has underperformed the FT's All-Share index by more than 45 percentage points and a number of economists are beginning to question whether the broader market has topped out. Meanwhile, SGST concentrated on the Clinton health reforms in its weekly reviews and said Wellcome would be the company least affected.

The leading drug stocks opened weaker on the after effects of US selling the previous night but closed up on balance. Glaxo finished 2 firmer at 625p, SmithKline Beecham up 5 to 409p in the 'A's and Wellcome up 1 to 724p.

Northern weakens

Food manufacturer Northern Foods weakened on busy turnover of 3.5m in the face of a number of profit downgrades. Hoare Govett cut £7m from its 1994 forecast to £165m, and £6m to £180m for 1995. Two other brokers were reported to have moved their figures to similar levels, according to dealers.

One food manufacturing analyst said worries over the company's meat division had surfaced at what was described as a cautious meeting with institutions this week. Concern over the performance of part of the biscuits business was also said to have contributed to the downgrades. Northern shares retreated 8 to 273p.

A 30 per cent jump in interim profits to the top of market expectations sent Kingfisher shares forward, although they slipped back in late trading to close a penny down at 645p. Turnover was a hefty 4.9m. Stores analysts said that despite the good headline figures, lower operating margins were giving cause for concern.

The worrying home improvement business, which has been the cause of heavy losses at Kingfisher's DIY rivals, saw B&Q post a small profits rise. However, Kingfisher said the market remained difficult with margin pressure increasing. Ladbroke, which owns Texas, edged down a penny to 198p. Do It All co-owner WH Smith lost 7 to 446p.

Reports that BT is considering moving into cable television and video transmission was said to be behind falls in Rank Organisation and Carlton Communications. BT is developing a video-on-demand by telephone line for the UK, which it is drawing up plans to launch next year. Rank and Carlton are both heavily involved in the video duplication business. Rank shares lost 8 to 794p, while BT slipped a penny to 419p.

Carlton received support from Kleinwort Benson, the UK merchant bank arguing that the current rating understates the EPS growth of the next two years. The house believes the group will achieve eps of 53.1p in 1994 compared to 34.2p in 1992. Carlton shares eased 10 to 735p.

Vague talk over Granada's stake in the BSkyB satellite venture being sold was heard, although leisure analysts were dismissive. Granada shares added 7 to 453p. Hoare Govett and NatWest Securities were again recommending Thorn EMI, up 7 at 990p. Following the sale of 5m shares by directors of Airtours, the stock declined 6 to 403p, the price at which they were placed in the market on Monday.

A bout of nervous trading hit British Aerospace ahead of today's interim figures sending the shares 8 lower at 420p, in trade of 2.7m.

Analysts expect profits to to be in the region of £28m to £30m, against a loss of £129m a year ago. It was at last year's interim figures that the company announced it was to make a second half provision of £1bn, a move that more than halved the share price.

Shares in industrial management group Porter Chadburn fell sharply, giving up 10 to 24p, after the company reinforced an earlier profits warning saying first half profits will be well down on last year on a like-for-like basis.

Chemicals group Laporte fell 2 to 621p in front of first half results tomorrow. Profit forecasts range from £46m to £49m but hope that there will be some accompanying surprises was offset by the general worries overhanging the sector. Many of those worries surround BOC which has been out of favour since this summer's profits warning. Yesterday there were no takers for stock slushing around the market; the shares fell 6 to 636p.

Shares in Reuters Holdings hit a new high yesterday on the back of the company's presentation to the New York investment community. Breaking out of a tight and recent 35-point range, the stock lifted 14 to 1580p.

Rothmans 'B' shares ticked off 16½ to 661½p on concerns that the group's Footsie status is in doubt. Meanwhile, investors switched into BAT Industries, the tobacco and insurance group, whose shares rose 7 to 466½p.

Buyers of Zeneca sought the attractive yield, ahead of the company going ex-dividend next month. The shares rose 14 to 783p.

Foods group Dalgety continued to benefit from Monday's results and the shares gained 3 to 493p. Strauss Turnbull was recommending the stock on dividend considerations and as reasonable value on p/e grounds.

Hazlewood Foods fell back as talk of a downgrade was heard. There was also speculation that one of its board members, rumoured to be involved in takeover talks at Manchester City football club, might sell his shares to raise funds. Hazlewood closed 8½ down at 174p.

A positive round of press meetings gained good coverage for Boots the chemists plans for expansion. The shares climbed 2 to 491p. Next added 5½ to 206½p on speculative buying amid reports that it too was poised for expansion.

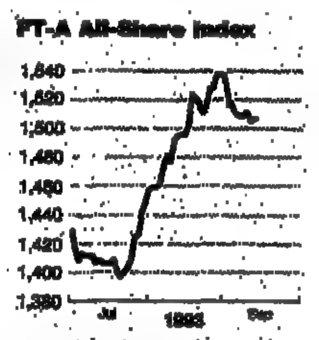
United Friendly 'B' shares fell 42 to 635p after announcing a 36 per cent slide in first half profits to £6.1m from £9.5m.

Printer Watmoughs jumped 16 to 748p after announcing raised half-year profits of £6.4m and an increased dividend.

MARKET REPORTERS:
Peter John,
Joel Kibazo,
Christopher Price.

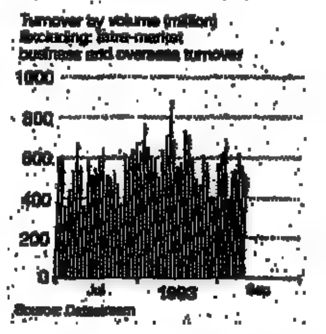
■ Other statistics, Page 23

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Source: Datastream

FINANCIAL TIMES EQUITY INDICES

	Sep 14	Sep 13	Sep 10	Sep 9	Sep 8 5	Year ago	*High	*Low
Ordinary share	2354.1	2354.7	2365.3	2368.7	2372.6	1726.7	2414.2	2124.7
Ord. div. yield	3.95	3.95	3.94	3.91	3.89	5.17	4.52	3.82
Earning yld % full	4.65	4.66	4.65	4.61	4.59	7.44	5.38	4.51
P/E ratio net	27.45	27.42	27.46	27.70	27.79	17.05	28.30	18.40
P/E ratio nil	25.34	25.31	25.36	25.58	25.66	15.79	26.14	16.74
Gold Mines	145.4	151.3	159.7	155.1	149.3	72.5	248.2	60.0

*for 1993. Ordinary share index since compilation: high 2414.2 31/8/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83 - low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2353.4	2349.4	2351.2	2348.1	2354.1	2358.8	2355.5	2357.6	2352.8	2358.8	2347.5

Volume	Sep 14	Sep 13	Sep 10	Sep 9	Sep 8	Year ago
SEAQ Bargains	28,176	30,990	27,518	27,767	25,662	18,968
Equity Turnover(£m)†	-	1059.3	1368.1	1561.3	1271.9	895.0
Equity Bargains†	-	34,587	31,648	30,375	29,787	[illegible]
Shares traded (ml)†	-	508.5	581.8	617.7	546.0	437.3

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

NEW HIGHS AND LOWS FOR 1993

NEW HIGHS (93).
BRITISH FUNDS (1) Treas. 7¾pc '12-15, OTHER FIXED INTEREST (2) N'wide Anglia 3⅞pc IL '21, Do 4⅛pc IL '24, AMERICANS (4) Bellsouth, Citicorp, Sears Roebuck, Time Warner, BANKS (1) Anglo Irish, BLDG MATLS (6) BPB, Heywood Williams, Do Cv. Pf., SWP, Sharpe & Fisher, Tilon, BUSINESS SERVS (1) CRT, CHEMS (2) ICI, Porvair, CONGLOMERATES (2) Ropner, Do A, CONTG & CONSTRCN (4) Allen, Ashtead, Avonside, Crest Nicholson, ELECTRICALS (2) Bulgin, Scholes, ELECTRONICS (7) Amstrad, Eurotherm, ISA, Indl. Control Servs., Kalamazoo, Kewill Systems, Molynx, ENG AERO (1) Ipeco, ENG GEN (3) Elliott (B), Spirax-Sarco, Vosper Thornycroft, FOOD MANUF (1) Matthews (B), FOOD RETAILING (1) Farepak, HOTELS & LEIS (2) BCE, Ex Lands, INSCE COMPOSITE (1) Domestic & General, INV TRUSTS (16) Aberforth Split Level Units., Abtrust New Dawn Wts., Abtrust Prld. Zero Pf., Dartmoor Inv., Do 6¼pc Db. '05, English & Caledonian, Exeter Prld. Zero Db. '02, Exmoor Dual Zero Pf., Fleming Geared Inc. & Assets 6.3-13.3pc Prld., General Consld. Stppd. Pf., Jersey Phoenix Wts., Olim Zero Pf., Schroder Split Zero Pf., Scottish Value, Whitbread Inv., MEDIA (5) Greenwich Comms., Haynes, Quarto, Reuters, Watmoughs, MTL & MTL FORMING (3) Chamberlin & Hill, Richards, MISC (11) Airsprung Furn., Bixby, Black (P), Brit. Bloodstock, Calderburn, Eurocopy, Excalibur, Holders Tech., Linect, Osborne & Little, Walker Greenbank, MOTORS (1) Quicks, OIL & GAS (1) Villiers, OTHER INDLS (1) RJB, PACKG, PAPER & PRINTG (3) Arjo Wiggins Appleton, Hunters Armley, Waddington (J), PROP (9) Daejan, Debenham Tewson & Chinnocks, Derwent Valley, Frogmore Ests., Letinvest 11¼pc Db. '12, Peel, Slough, Do 8¼pc Pf., Smith (J), TEXTS (4) Atlons, Helene, Jerome, Lister, TRANSPORT (2) Dawsongroup, Norish.
NEW LOWS (13).
BRITISH FUNDS (3) Exch. 12¼pc '94, Exch. 13½pc '94, Treas. 12pc '95, AMERICANS (1) Woolworth, CONGLOMERATES (1) CSR, HEALTH & HSEHOLD (1) Baxter Intl., HOTELS & LEIS (1) First Leis., INSCE BROKERS (1) Steel Burrill Jones, MISC (1) FII, OIL & GAS (1) LASMO, OTHER INDLS (1) AAF, MINES (2) MIM, Northern Platinum.

EQUITY FUTURES AND OPTIONS TRADING

A LARGE single trade by a leading US house in the September Footsie futures contract boosted turnover in the sector as general trading in the derivatives continued to be dominated by this week's expiry in both the options and futures, writes Joel Kibazo.

In futures, US investment bank Salomon Brothers stole the limelight with a single cross trade of 6,500 lots in the December contract. It was executed at 3,060, and dealers said the trade was the equivalent of around £490m in underlying equities. That trade boosted volume in the December future to 15,837 contracts.

In the September future, trading was volatile as dealers continued to close positions and roll forward ahead of Friday's expiry. It opened at a discount to cash at 3,017, but recovered to trade ahead of cash for most of the session before a poor opening on Wall Street pulled it back in the last few minutes of the day.

It still finished at a 5-point premium to cash at 3,033, with volume reaching a hefty 16,342 lots.

Volume in the traded options jumped to 43,455 contracts, against 29,789 for the previous day. Amstrad, whose September stock options expire today, was the day's busiest trade with volume of 13,649 lots. Sheppards was said to have sold 6,200 of the September 30 calls and bought 6,200 of the December 30 calls. Reuters, Zeneca and Glaxo were also busy.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
3028.0 +3.2	3458.6 −12.9	1506.10 −0.33

[illegible]

Hourly movements

[illegible]

FT-SE Actuaries 350 Industry Baskets

[illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

[illegible]

OTHER FIXED INTEREST

[illegible]

Continued on next page

CROSSWORD

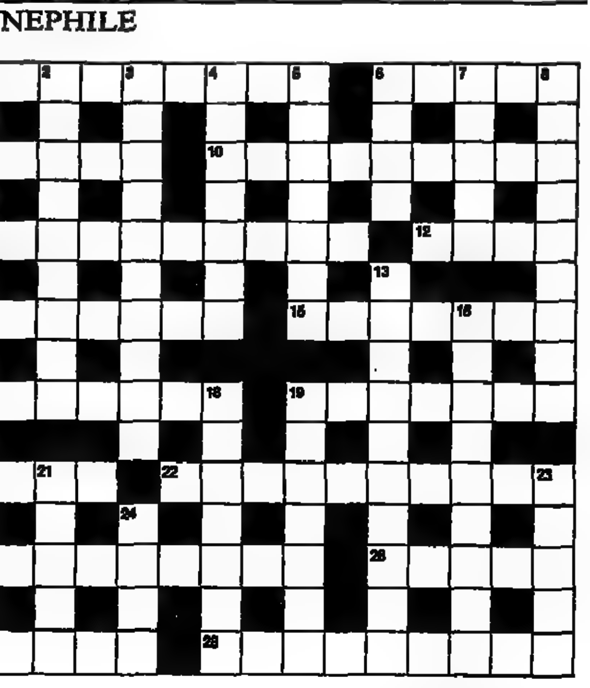
No.8,254 Set by CINEPHILE

ACROSS

1 Bird that makes Cockney smoother? (9)
6 West Indian partner for Jones whose partner died (5)
9 Beginning of London copper's beat, possibly (5)
10 Died before sitting: I can't get out of my mind (9)
11 Lovely girl singer, cool, saucy and probably stoned (5,5)
12 Irreverent to the other side? (4)
14 Boil gently about an hour to impart a faint light (7)
15 Craft applied to bed (7)
17 Make variegated pattern of singular premier house (7)
19 Top job is expensive without a degree (7)
20 Blunt instrument used in trigonometry (4)
22 Give too much work, in addition to the theme? (10)
25 Public discussion finds work for another four men (4,5)
26 Throw up a number and skip (5)
27 Snail that's doubled in DNA (5)
28 Long-suffering of revolutionary under application of cane (9)

DOWN

1 Former county article found in liquid food (5)
2 Fruit drink in the east (9)
3 Letters, funny or abstracted, from beyond the grave (10)
4 Innovator or one in support (7)
5 Little flower from our beds (7)
6 What a boat leaves behind in the North Sea (4)
7 Train monkey to make holes in cotton (5)
8 Drinks do, in winter, pay organisation (4,5)
13 House with shared wall to shake – it doesn't last long (10)
14 Unfrock the clergy and this is what they'll wear (9)
16 Soldier protects island from gas run mad (9)
18 Defeat for Irish clergyman? (7)
19 Pray for reformation in the centre of a wonderful figure (7)
21 Pass unnoticed at a pinch? (5)
23 Inert compound of saltpetre (5)
24 Second communication from Tunisian port (4)



JOTTER PAD

Solution 8,253

[illegible]

LONDON SHARE SERVICE

AMERICANS

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

ELECTRICALS

ELECTRICALS - Cont.

ELECTRICITY

ELECTRONICS

ENGINEERING-AEROSPACE

ENGINEERING-GENERAL

ENGINEERING-GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

هكذا من الأصل

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by NatWest Securities Limited as a guide only. See guide to London Share Service.

INVESTMENT COMPANIES

[illegible]

Net asset values supplied by [illegible] as a guide only. See guide to London Share Service.

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ¶ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially UK listed; dealings permitted under Rule 535(2)
- § Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on MMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc Price	Bid Price	Offer Price	+or -	Yield Gr's
AIB Unit Trust Managers Limited (1600)F						
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783						
AIB Grofund American	5	153.7	155.2	163.4	+1.60	0.00
AIB Grofund Equity	5	220.1	223.4	236.4	-0.40	1.29
AIB Grofund Euro	5	170.3	170.9xd	180.4	+1.30	0.33
AIB Grofund Expl Interest	3	108.7	108.7xd	112.0	-1.30	1.75
AIB Grofund Gilt	3	78.58	78.80xd	81.44	-0.04	4.76
AIB Grofund Japan	5	181.6	183.2	192.8	-1.50	0.00
AXA Equity & Law Unit Tst Mngrs (1200)H						
Equity & Law Hse, Corpn St, Coventry 0203 553231						
General Inc	6	446.4	447.7xd	479.3	-0.5	2.38
General Acc	6	435.1	436.6	520.3	-0.3	2.38
UK Growth Acc	6	329.5	333.7	356.1	-0.5	2.57
UK Growth Inc	6	233.5	235.5	251.6	-0.4	2.57
Higher Inc Acc	6	630.7	629.2	659.4	-0.3	3.56
Higher Inc Inc	6	377.1	382.2	406.7	-0.2	3.56
Gilt/Fxd Int Acc	3½	187.4	187.4xd	197.9	-0.2	5.87
Gilt/Fxd Int Inc	3½	95.81	95.81xd	101.1	-0.1	5.87
Nth America	6	243.7	246.4	262.2	+2.1	0.00
Far East	6	318.1	321.1	341.7	+1.7	0.12
Europe	6	243.6	247.5xd	263.3	+3.5	0.86
Int Excell	6	67.47	67.47	71.79	-0.02	2.62
Int Fxdrate Acc	6	94.57	95.97xd	102.1		4.43
Int Fxdrate Inc	6	72.04	73.05xd	77.72	-0.02	4.43
Global Opps	6	75.47	77.32	82.35	+0.51	0.05
Balanced Acc	6	50.46	51.09	54.32		2.53
Balanced Inc	6	50.46	51.09	54.37		2.53
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
Gilt & Fixed Int	6	135.4	135.0xd	144.6	-0.1	5.58
High Inc Equity	6	159.9	162.7	173.0	-0.6	4.38
Worldwide Bond	6	258.3	258.3xd	234.5	+1.6	3.98
American Growth	6	279.0	289.0	308.0	+2.8	1.14
Asian Pacific	6	254.8	260.0	276.5	+1.5	.30
Assets & Earnings	6	233.4	238.4	254.0	-2.5	2.16

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Singer & Friedlander UT Mgmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF					081-663 3003	
European Trust	6	56.54	56.88	60.39	+0.40	1.64
Far Eastern Tst	6	66.66	67.57xd	72.21	+0.16	0.32
Smaller Cos	5	168.6	173.5xd	184.8	+4.5	1.54
Smith & Williamson Unit Tst Mgrs (1700)F						
1 Riding House St, London W1A 3AS					071-637 5377	
S & W American	5	284.4	284.9	299.3	—	0.6
S & W Capital	6	123.6	123.5	132.5	-0.1	1.46
S & W Cash	0	102.10	102.10	102.10	+0.04	5.37
S & W European	5	121.0	121.1	129.0	+0.8	0.64
S & W Far Eastern	5	159.0	160.7	170.0	+0.6	0.00
S & W Growth	5	132.6	134.0	142.4	+0.1	1.45
S & W Income	5	121.8	123.1xd	130.2	—	4.82
S & W Mngd	5	129.0	129.8	138.4	—	[illegible]
S & W Smlr Secs	5	342.1	349.2	359.5	-0.4	1.42
S & W Thoroughbred	5	152.1	152.1xd	163.4	-0.4	1.37
Sovereign Unit Tst Mgrs Ltd (1000)F						
12 Christchurch Rd, Bournemouth					0202 298422	
Cash	1	50.16	50.16	50.88	[illegible]	6.3
Castle Princes	5½	58.67	58.94xd	62.65	[illegible]	7.5
Ethical	5½	55.51	56.34xd	60.08	[illegible]	3.6
European Growth	5½	63.20	63.57	67.80	[illegible]	2.8
Income	5½	58.22	58.67	62.44	[illegible]	5.4
Intl Growth	5½	86.26	86.80	91.52	[illegible]	2.7
Managed	5½	73.41	74.23	79.17	[illegible]	3.4
UK Growth	5½	59.09	59.70xd	63.67	[illegible]	4.1
Standard Life Tst Mgmt Ltd (0730)H						
3 George St, Edinburgh EH2 2XZ					0800 393777	
Managed Acc	5¼	46.64	46.64	49.65	-0.1	1.45
UK Equity Gth Acc	5¼	63.66	64.09	68.74	-0.2	1.04
UK Eq High Inc Inc	5¼	38.34	38.34	40.74	-0.1	3.40
UK Eq High Inc Acc	5¼	45.63	45.63	48.39	-0.1	3.40
UK Equity Gen Acc	5¼	57.03	58.05	61.72	-0.3	2.06
UK Equity Gen Inc	5¼	43.18	43.69	46.74	-0.2	2.06
UK Larger Cos Acc	F 7½	392.0	399.3	432.2	-2.2	3.56
UK Larger Cos Inc	F 7½	301.6	306.9	330.0	-1.7	3.56
Gilt & Fxd Int Inc	5¼	35.57	35.66	35.80	+0.1	6.75
O'seas Lrg Cos Acc	F 7½	397.2	292.2	317.1	+2.1	1.20
Nth American Acc	5¼	43.17	43.44	46.16	+0.3	0.84
Far East Acc	5¼	89.31	89.31	93.02	-0.1	0.28
European Acc	5¼	44.21	44.21	46.96	+0.2	0.71
State Street Unit Trust Mgmt Ltd (1400)F						

	Bid Price	Offer Price	+ or -	Yield Gross
Foreign & Colonial Unit Management Ltd				
Balanced Acc Sep 07	199.0	200.8	-3.0	2.97
Balanced Inc Sep 07	195.5	203.1	-2.8	2.97
Latin American Acc Sep 07	117.9	118.2	+0.4	1.49
Funds in Court*				
Capital Aug 19	584.92	590.39	—	3.51
Gross Aug 19	221.51	223.29	—	9.42
High Yield Aug 19	381.77	384.92xd	—	8.59
* Restricted to monies under Court control				
Govett (John) Unit Mgmt Ltd				
Managed Exempt	116.77	118.34	(z)	3.80
Henderson Unit Trust Management Ltd				
Pensions Mngd	66.24	67.57	+0.06	2.66
Henderson TR				
Ex European	1439.49	1449.09	+24.49	1.37
Ex Nth American	1302.45	1305.01	+17.54	0.81
Ex Pacific Basin	981.69	1005.71	+4.99	0.51
Ex Smaller Cos Inc	2138.30	2240.27	-13.13	2.21
Ex Smaller Cos Acc	2291.18	2410.09	-14.07	2.21
INVESCO Asset Management Ltd				
Exempt Funds				
Asia & Australasia	£3.3510	3.4280	—	2.37
Japan	£2.2208	2.2250xd	—	0.00
Intl Mngd P'folio (1000-1)	£1.6180	1.7180	—	1.02
Mngd Pens (Acc)	£0.8068	0.9857	—	3.67
North American	£2.4889	2.5130	—	2.60
Smaller Companies	£1.5490	1.6080xd	—	3.89
UK Core	£1.0788	1.0820xd	—	4.32
Jupiter Merlin Unit Trust Managers Ltd				
Jupiter Merlin Exempt Trust				
UK Equity	£13.78	13.90	—	—
Lazard Brothers & Co. Ltd				
Property Aug 5	£2050.0	2235.0	—	7.00
Inc Bkb Prp Jul 12	£1440.0	1600.0	—	6.90
Lazard Investors Ltd ‡				
Exempt Funds				
Small Co's Sep 8	£5635.6	5748.2	—	2.30
European Sep 8	£756.8	756.4	—	1.44
American Sep 8	£426.2	432.5	—	7.49

INSURANCES

OTHER UK UNIT TRUSTS

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OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

هكذا من الأصل

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JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Figures fail to hold D-Mark

Dealers called a halt to Monday's profit-taking against the D-Mark yesterday, pushing the German currency back up against the dollar and most European currencies, *writes James Blitz.*

Few had interpreted Monday's sharp fall in the value of the D-Mark as anything more than position squaring after a sustained rise. Yesterday, the German currency's power was reasserted. It gained ¼ a pfennig against the dollar, to close at DM1.6065.

The D-Mark's rise came despite US data which might have suggested that the Federal Reserve was leaning towards a tightening of policy.

In particular, US consumer price inflation rose 0.3 per cent in August against expectations of 0.1 per cent.

The story of D-Mark strength dominated an otherwise untidy European session. The D-Mark was stronger against the French franc, closing at FFr3.487 from a previous FFr3.482. This was despite reduced optimism in French money markets about lower rates.

Sterling closed unchanged at DM2.4850. Money market dealers increasingly assume that there will be no cut in sterling base rates before the end of this year. But the pound may have been hindered yesterday by slightly disappointing manufacturing output figures.

The yen was stronger at the start of trading amid signs that Japanese life insurance companies were selling huge quantities of Australian dollars for Japan's currency.

The selling pushed the Australian currency down to a new all-time low against its trade weighted index. But the yen's strength did not last long. The currency weakened against the dollar in Europe as dealers braced themselves for tomorrow's announcement of a fiscal stimulus package by the Japanese authorities.

The dollar closed at Y105.80 from a previous Y106.25.

Mr Steve Hannah, chief economist at IBJ International in London, said that currency dealers would be looking for a number of key pointers in the Japanese package.

The first was the size of the stimulus. In his view, the market is anticipating a fiscal boost of some 5 trillion yen, with plenty of scope for tax cuts.

An announcement of a cut of ½ a percentage point in the official discount rate is also anticipated, although Mr Hannah thinks this might not take immediate effect.

A third key issue will be whether the Japanese authorities set a concrete target for the reduction in the trade surplus. Japanese officials have contradicted each other when asked if this is being considered.

Tomorrow's announcements will be a milestone in the medium term outlook for the yen. The recent sharp downturn in the yen has been predicated on the belief that Japan will offer something concrete to President Clinton in Washington next week.

£ IN NEW YORK

Sep 14	Latest	Previous Close
£ Spot	1.5465-1.5475	1.5455-1.5465
1 month	0.39-0.38pm	0.37-0.36pm
3 months	1.06-1.04pm	1.05-1.03pm
12 months	3.20-3.10pm	3.22-3.12pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Sep 14	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator‡
Dutch Guilder	2.19672	2.15498	-1.90	7.99	-
D-Mark	1.94964	1.91882	-1.58	7.55	-
Spanish Peseta	154.250	152.910	-0.87	6.78	6
Belgian Franc	40.2123	40.9772	1.90	3.87	-14
Portuguese Escudo	192.854	195.750	1.50	4.28	-10
Irish Punt	0.808628	0.822110	1.67	4.11	-11
French Franc	6.53883	6.68312	2.21	3.56	-18
Danish Krone	7.43679	7.87167	5.85	0.00	-40

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
‡Indicative values only. Divergence indicators are based on 15% band fluctuations but do not show the 2.25% band between the Dutch Guilder and D-Mark.

POUND SPOT - FORWARD AGAINST THE POUND

Sep 14	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5370 - 1.5475	1.5460 - 1.5470	0.39-0.37cpm	2.95	1.07-1.04pm	2.73
Canada	2.0295 - 2.0455	2.0415 - 2.0425	0.30-0.22cpm	1.53	0.65-0.51pm	1.14
Netherlands	2.7850 - 2.7975	2.7850 - 2.7950	par-¼cdis	-0.54	¼-⅜dis	-0.36
Belgium	52.65 - 53.40	53.30 - 53.40	12-21cdis	-3.71	37-49dis	-3.19
Denmark	10.1710 - 10.2270	10.1975 - 10.2075	3⅞-5⅜oredis	-5.09	10⅞-12¼dis	-4.83
Ireland	1.0610 - 1.0685	1.0655 - 1.0685	0.05-0.08cdis	-0.73	0.16-0.21dis	-0.69
Germany	2.4805 - 2.4905	2.4805 - 2.4875	⅛-¼pfdis	-0.91	⅜-⅝dis	-0.80
Portugal	252.30 - 254.25	252.50 - 253.50	87-107cdis	-4.84	300-324dis	-4.93
Spain	196.90 - 198.55	197.95 - 198.25	69-82cdis	-4.57	190-211dis	-4.05
Italy	2351.00 - 2376.80	2375.00 - 2376.00	N/A	N/A	N/A	N/A
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ecu	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. Six-month forward dollar 1.87-1.83pm. 12 Month 3.27-3.17pm.

STERLING INDEX

[illegible]

CURRENCY RATES

[illegible]

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

	£	$
Korea(Sth)	1239.20 - 1259.15	805.40 - 811.80
Kuwait	0.46100 - 0.46200	0.29930 - 0.29980
Luxembourg	52.70 - 52.80	34.15 - 34.25
Malaysia	3.9190 - 3.9265	2.5410 - 2.5420
Mexico	4.7985 - 4.8020	3.1100 - 3.1120
N.Zealand	2.7880 - 2.7920	1.8070 - 1.8095
Saudi Ar	5.7750 - 5.7865	3.7495 - 3.7505
Singapore	2.4625 - 2.4690	1.5975 - 1.5985
S.Af (Cm)	5.2680 - 5.2780	3.4090 - 3.4105
S.Af (Fn)	7.5185 - 7.5335	4.8725 - 4.8825
Taiwan	41.50 - 41.65	26.90 - 27.00
U.A.E.	5.6515 - 5.6870	3.6715 - 3.6735

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

[illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

	£	$	DM	Yen	F Fr.	S Fr.	H Fl.
£	1	1.547	2.485	163.5	8.685	2.160	2.790
$	0.646	1	1.606	105.7	5.601	1.396	1.803
DM	0.402	0.623	1	65.79	3.487	0.869	1.123
YEN	6.118	9.462	16.20	1000.	53.00	13.21	17.06
F Fr.	1.154	1.785	2.868	188.7	10.	2.493	3.220
S Fr.	0.463	0.716	1.150	75.69	4.012	1	1.292
H Fl.	0.358	0.554	0.891	58.60	3.106	0.774	1
Lira	0.421	0.651	1.046	68.81	3.647	0.909	1.174
C $	0.490	0.758	1.217	80.07	4.243	1.058	1.366
B Fr.	1.874	2.900	4.658	306.5	16.24	4.049	5.230
Pta	0.505	0.781	1.254	82.53	4.374	1.090	1.408
Ecu	0.768	1.188	1.909	125.6	6.655	1.658	2.143

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

MONEY MARKETS

Gloom in London

DEALERS in sterling interest rate markets suddenly became a good deal more gloomy about the prospect of another cut in UK base rates this year, despite economic data which might have suggested otherwise, *writes James Blitz.*

Yesterday's UK data gave a mixed view of the economic recovery. Manufacturing output rose 0.7 per cent in July for a year on year rise of 1.7 per cent. But the figure was not much higher than economists had expected and was still 0.3 per cent below its average in the second quarter of this year.

UK clearing bank base lending rate 6 per cent from January 26, 1993

Some dealers were led to think that this would help to bring about another cut in UK base rates which have been unchanged since January.

But, instead, sterling interest rate dealers appeared to be more influenced by the slide in the gilt market yesterday, which was itself triggered by a fall in US bonds. The December sterling contract fell 7 basis points to close at 94.29 and the March contract was down 13 basis points to close at 94.44. In the cash market, 3 month money was about $\frac{1}{32}$ per cent higher at $5\frac{31}{32}$ per cent.

Some dealers felt that the futures contracts were extremely cheap at yesterday's closing levels. As one dealer put it: "There are 3 months of time value in the December contract, and in that period you've got a budget and a host of economic indicators. Anything can happen over that time." Others felt that the chances of a base rate cut were diminishing all the time. The cash market was again subject to the uncertainties over the removal of the daily shortage. A £1.3bn deficit was forecast at the start of the day, but an offer of assistance in the early round was not taken up at all, pushing overnight lending to a high of 7 per cent. Most of the shortage was suddenly removed later in the morning.

In Europe, the focus was on a sharp fall in the December French franc contract which dropped 14 basis points to close at 93.75. Some dealers continued to be affected by the failure to cut the intervention rate on Monday, suggesting that German rates were set to remain on hold for some time to come.

In the German cash market, call money remained very high at around 7.25 per cent, although there are expectations of a large liquidity add in today's operations. The Bundesbank will deal a fixed rate repo for 16 days at 6.70 per cent.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

FINANCIAL FUTURES AND OPTIONS

[illegible]

OPTIONS ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls October	Calls December	Calls March	Puts October	Puts December	Puts March
121	-	2.47	-	-	0.23	-
122	-	-	-	0.05	0.46	-
123	0.50	1.06	-	0.27	0.80	-
124	0.14	0.60	-	0.89	1.33	-
125	0.03	0.33	2.73	-	-	-
Open int	58,226	152,073	25,990	37,412	155,500	15,728

Estimated volume 30,347 † Total Open interest 475,209
† All Yield & Open interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	6	Cyprus Popular Bank	6	Mount Banking	6
Allied Trust Bank	6	Duncan Lawrie	6	NatWestminster	6
AIB Bank	6	Equatorial Bank plc	6	Nykredit Mortgage Bnk	6.5
●Henry Ansbacher	6	Exeter Bank Limited	7	●Rea Brothers	6
B & C Merchant Bank	13	Financial & Gen Bank	7	* Roxburghe Bank Ltd	6
Bank of Baroda	6	●Robert Fleming & Co	6	* (in administration)	
Banco Bilbao Vizcaya	6	Girobank	6	Royal Bk of Scotland	6
Bank of Cyprus	6	●Guinness Mahon	6	●Smith & Williamson Secs	6
Bank of Ireland	6	Habib Bank AG Zurich	6	Standard Chartered	6
Bank of India	6	●Hambros Bank	6	TSB	6
Bank of Scotland	6	Heritable & Gen Inv Bk	6	●United Bk of Kuwait	6
Barclays Bank	6	●Hill Samuel	6	Unity Trust Bank Plc	6
Brit Bk of Mid East	6	C. Hoare & Co	6	Western Trust	6
●Brown Shipley	6	Hongkong & Shanghai	6	Whiteaway Laidlaw	6
CL Bank Nederland	6	Julian Hodge Bank	6	Wimbledon & Sth West	7
Citibank NA	6	●Leopold Joseph & Sons	6	Yorkshire Bank	6
City Merchants Bank	6	Lloyds Bank	6		
Clydesdale Bank	6	Meghraj Bank Ltd	6		
The Co-operative Bank	6	McDonnell Douglas Bk	6		
Coutts & Co	6	Midland Bank	6		
Credit Lyonnais	6				

● Members of British Merchant Banking & Securities Houses Association

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

Money Market Bank Accounts

[illegible]

NOTES – Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Crd: Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS (continued) | SWEDEN (continued) | DENMARK | FINLAND | ITALY | NORWAY | SPAIN | SWITZERLAND | SOUTH AFRICA | BELGIUM/LUXEMBOURG | FRANCE — stock price listings for September 14 [illegible]

CANADA

TORONTO

4 pm close September 14

Quotations in cents unless marked $

Sales	Stock	High	Low	Close	Chng
200	Calenses	$53	52½	52½	-1½
13538	CntCpital	25	15	25	+10
93400	Conpx Odn	380	360	365	-15
5000	Cntrl Fd A	$5¾	5¾	5¾	
76749	Cominco	$16⅛	15¾	16	-⅛
21550	Coputalog	310	300	310	+10
31735	Coral Sys	$38	37½	38	+⅛
5500	CoscanDev	165	165	165	
125	KenAddis	$20½	20½	20½	-¼
158875	Labatt	$22½	22¾	22½	-⅛
705726	Lac Minls	$9½	9¼	9¼	
3491	Lafarge	$25½	25⅛	25⅜	+⅛
3500	Laidlaw A	$8½	8⅜	8⅜	-⅛
881124	Laidlaw B	$8½	8⅜	8½	
24400	Laurent Bk	$17¼	17⅛	17⅛	-¼
84802	Rigel En	$22	21½	21½	-⅛
34200	Rio Algom	$19	18⅞	19	+⅛
160171	RogersComB	$20¾	20⅝	20¾	
700	Rothmans	$101	101	101	
418746	RoyalBkCan	$27½	27¼	27⅜	
209750	Ryl Oak Mn	500	485	485	+30
5766	StLawrCm A	$7¼	7	7¼	+¼
41806	SceptreRs	$12⅛	11⅞	12	-⅛

Other Toronto listings [illegible]

MONTREAL

4 pm close September 14

Sales	Stock	High	Low	Close	Chng
184923	NatBk Can	$10⅜	10¼	10⅜	+⅛
1000	Quebecor A	$19⅛	19⅛	19⅛	-⅛
82275	Teleglobe x	$16	15⅞	16	
14850	Unive	$8	7⅞	7⅞	-⅛
13916	Videotron	$24⅛	24⅛	24⅛	-⅛

Total Sales 35,903,134 shares

Other Montreal listings [illegible]

INDICES

NEW YORK

DOW JONES	Sep 13	Sep 10	Sep 9	Sep 8	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3634.21	3621.63	3598.49	3588.93	3652.09 (25/8)	3241.95 (20/1)	3652.09 (25/8/93)	41.22 (8/7/32)
Home Bonds	109.69	109.25	109.14	109.34	109.69 (13/9)	103.49 (11/1)	109.69 (13/9/93)	54.99 (1/10/81)
Transport	1694.75	1671.49	1603.55	1593.09	1693.08 (16/4)	1450.84 (4/1)	1693.08 (16/4/93)	12.32 (8/7/32)
Utilities	258.46	258.06	254.02	255.01	258.46 (31/8)	217.14 (8/1)	258.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's High 3656.16 (3638.16) Low 3607.66 (3576.64) (Theoretical♠)
Day's High 3638.96 (3622.47) Low 3621.83 (3588.69) (Actual♠)

STANDARD AND POOR'S

	Sep 13	Sep 10	Sep 9	Sep 8	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	462.05	461.72	457.50	456.65	463.56 (31/8)	429.05 (8/1)	463.56 (31/8/93)	4.40 (1/6/32)
Industrials♥	518.36	518.57	515.17	514.76	524.99 (10/3)	486.48 (26/4)	524.99 (10/3/93)	3.62 (21/6/32)
Financial	48.10	48.24	47.57	46.97	48.24 (10/9)	38.89 (8/1)	48.24 (10/9/93)	8.64 (1/10/74)
NYSE Composite	258.06	255.03	253.74	253.16	258.88 (31/8)	236.21 (8/1)	258.88 (31/8/93)	4.48 (25/4/42)
Amex Mkt. Value	454.30	456.06	453.35	451.06	461.57 (3/9)	395.84 (8/1)	461.57 (3/9/93)	29.31 (9/12/72)
NASDAQ Composite	749.22	744.31	737.71	730.73	749.71 (3/9)	645.87 (26/4)	749.71 (3/9/93)	54.87 (31/10/72)

	Sep 10	Sep 3	Aug 27	year ago (approx.)
Dow Industrial Div. Yield	2.81	2.80	2.80	3.12

	Sep 8	Sep 1	Aug 25	year ago (approx.)
S & P Industrial div. yield	2.48	2.45	2.46	2.83
S & P Indl. P/E ratio	27.57	28.07	27.88	27.52

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Royal D Pet	4,885,800	101⅞	- 2⅝
Paramount	3,630,900	64⅝	+ 3½
Hibernia	2,767,900	7⅞	+ ⅛
Amer Barri	2,563,000	20⅝	- ⅛
Coca Cola	2,469,700	44½	+ ½
MPS	2,392,700	7⅞	- ⅛
Glaxo	2,382,200	18⅜	- ½
Baxter Int	2,271,300	21⅛	- ⅛
Citicorp	2,189,500	35⅞	+ ⅛
Chrysler	2,175,800	45½	+ 1⅛

TRADING ACTIVITY

† Volume (Millions)	Sep 13	Sep 10	Sep 9
New York SE	243.429	266.484	257.127
Amex	20.223	18.971	17.443
NASDAQ	(a)	254.189	265.495
NYSE			
Issues Traded	2,617	2,610	2,613
Rises	1,035	1,232	1,131
Falls	973	654	871
Unchanged	609	624	611
New Highs	157	132	51
New Lows	24	14	24

CANADA

TORONTO	Sep 13	Sep 10	Sep 9	Sep 8	1993 HIGH	1993 LOW
Metals & Minerals	3001.84	3019.55	3024.52	2983.56	3140.94 (16/8)	2743.31 (21/1)
Composite	3971.80	4001.69	4008.32	3952.87	4143.70 (1/9)	3275.80 (21/1)
MONTREAL Portfolio	1884.22	1885.53	1909.63	1887.79	1953.55 (1/9)	1720.97 (21/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (a) Unavailable. ♠ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	Sep 14	Sep 13	Sep 10	Sep 9	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1912.9	1938.3	1941.5	1931.4	1977.10 (1/9)	1495.00 (13/1)
All Mining (1/1/80)	770.6	789.8	811.2	803.6	904.50 (2/9)	594.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	390.46	391.43	388.96	386.58	403.65 (31/8)	308.26 (14/1)
Traded Index (2/1/91)	985.60	988.21	975.77	974.19	1019.13 (6/9)	712.06 (15/1)
BELGIUM						
BEL20 (1/1/91)	1316.48	1324.10	1320.65	1323.89	1395.70 (12/8)	1125.48 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	331.49	331.93	333.84	335.01	340.59 (19/8)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1372.8	1380.6	1389.5	1383.5	1409.90 (19/8)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	585.41	582.80	581.44	584.52	600.51 (31/8)	471.24 (13/1)
CAC 40 (31/12/87)	2134.14	2118.07	2108.38	2108.75	2218.49 (31/8)	1772.21 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	728.87	723.82	722.73	725.52	748.41 (31/8)	598.92 (14/1)
Commerzbank (1/12/53)	2071.0	2063.0	2059.20	2068.4	2125.80 (31/8)	1694.30 (14/1)
DAX (30/12/87)	1880.57	1872.57	1861.44	1880.81	1944.89 (31/8)	1518.58 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	7473.05	7475.97	7593.45	7598.76	7607.13 (8/9)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1708.58	1713.38	1714.99	1701.79	1754.84 (19/8)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	605.14	597.55	597.51	592.84	632.85 (30/8)	448.33 (8/1)
MIB General (4/1/93)	1339.0	1315.0	1315.0	1304.0	1380.00 (30/8)	992.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20947.79	21148.11	20817.86	20825.58	21148.11 (13/9)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1690.33	1694.51	1677.50	1676.34	1698.67 (3/9)	1250.06 (25/1)
2nd Section (4/1/68)	2297.06	2301.89	2293.38	2283.12	2384.97 (7/6)	1651.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	817.76	820.38	830.74	836.03	851.43 (3/9)	614.38 (13/1)
NETHERLANDS						
CBS Tot.Rtn.Gen.(End 1983)	375.1	374.3	370.9	370.7	385.20 (31/8)	285.70 (4/1)
CBS All Shr (End 1983)	243.4	242.9	242.4	242.3	252.30 (31/8)	189.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	924.82	917.31	905.89	890.42	978.17 (13/8)	659.83 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1854.49	1878.81	1918.22	1911.77	1878.81 (13/9)	1270.86 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	514.82	514.97	512.97	515.43	518.85 (7/9)	394.16 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1527.0♥	1481.0	1543.0	1553.0	2098.00 (30/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4531.0♥	4536.0	4538.0	4512.0	4718.00 (6/7)	4033.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	695.37	700.75	698.78	698.14	777.25 (9/8)	605.93 (6/3)
SPAIN						
Madrid SE (30/12/85)	288.86	285.15	288.47	292.02	304.88 (30/8)	215.50 (4/1)
SWEDEN						
Affarsvariden Gen. (1/2/37)	1287.5	1285.6	1274.9	1281.8	1339.10 (18/8)	878.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1038.8	1031.9	1031.4	1038.8	1077.80 (25/8)	804.80 (11/1)
SBC General (1/4/87)	821.0	814.0	813.6	820.1	854.70 (25/8)	578.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	3839.5	3841.39	3873.08	3841.30	5013.28 (7/4)	3088.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	889.53	885.49	893.29	898.68	908.62 (6/9)	816.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) §	598.2*	599.7	598.2	600.0	605.20 (6/9)	488.60 (13/1)
Euro Top-100 (26/6/90)	1097.25	1093.08	1091.22	1098.25	1133.15 (30/8)	882.73 (13/1)

**Saturday September 11: Taiwan Weighted Price; 3874.85, Korea Comp Ex; 698.51.
♥ Subject to official recalculation. *Calculated at 15.00 GMT

Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500: (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Tuesday, September 14, 1993

	Stocks Traded	Closing Prices	Change on day
Nikkatsu	8.5m	27	+3
Nippon Steel	7.0m	346	-1
NEC Corp	4.8m	990	-10
Matsushita E Ind	3.4m	1,470	
Mitsubishi Elec	3.4m	589	-17
Marui	3.1m	1,860	+30
Mitsubishi Motor	3.0m	805	+5
Nikko Kyodo Co	2.7m	501	-6
NKK Corp	2.7m	296	-4
Sanwa Shutter	2.6m	1,110	+50

JAPAN

September 14 — Yen — stock price listings [illegible]

AUSTRALIA | HONG KONG | MALAYSIA | SINGAPORE — September 14 stock price listings [illegible]

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

4 pm close September 14

1993 High	1993 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
14 5/8	11 1/2	AAR Corp	0.48	3.7	56	190	13 1/8	12 7/8	13 1/8	
29 3/8	13 3/4	A L Labs A	0.18	1.0	35	471	19 3/8	18 1/8	18 3/8	-3/4
68 1/8	54 5/8	AMP Inc	1.60	2.5	22	1957	65 1/8	64 1/2	64 1/2	-3/4
72 3/4	55 1/2	AMR			16	6368	64 1/2	63 5/8	64 3/8	-1/8
3 1/2	1 3/4	ARX			13	396	u3 1/2	3 3/8	3 1/2	
51 1/2	29 7/8	ASA	2.00	5.1	26	998	39 3/4	39	39 3/4	+5/8
30 1/4	22 5/8	Abbott Lab	0.68	2.5	16	10607	28 3/4	25 1/2	28 1/4	+3/8
12 5/8	9 1/4	Abitibi Pr	0.50	5.4	4	13	9 1/4	d9 1/4	9 1/4	-1/4
15 1/4	8 1/4	[illegible]			43	112	14 1/8	14	14	-1/4
36	25 1/2	ACE Ltd	0.40	1.2		135	33 3/4	33 1/2	33 1/2	-1/4
12	10 3/4	ACM Gvt In x	0.96	8.5		333	11 1/4	11 1/8	11 1/4	+1/8
10	9 1/8	ACM GvOpp x	0.80	8.3		168	9 3/4	9 5/8	9 5/8	
9 7/8	8 3/4	ACM Gvt Sp	0.80	8.4		756	9 5/8	9 3/8	9 1/2	-1/8
11 5/8	10 1/2	ACM Gvt Se	0.96	8.6		1489	11 1/4	11 1/8	11 1/8	-1/8
11 5/8	9 5/8	ACM Man x	1.08	9.4		129	u11 5/8	11 1/2	11 1/2	
9 3/8	8 5/8	ACM Managd x	0.72	7.9		127	9 1/4	9 1/8	9 1/8	-1/8
12 1/8	7 3/4	Acme Cleve	0.44	4.5	13	57	9 1/4	9 5/8	9 3/4	+1/8
9 1/4	6 1/2	Acme Elect			49	29	7 1/4	7	7	-1/8
27 5/8	18 3/8	Acordia	0.44	1.6	15	32	27	26 3/4	27	
16	10 3/8	Acuson			32	161	12 1/8	11 5/8	11 7/8	+1/4
21 3/4	19	Adams Expr	0.48	2.5	0	286	19 3/8	19 1/4	19 1/4	-1/8
68 1/4	45 1/2	Ad Micro	3.00	5.2		45	59	58 1/4	58 1/4	-1 1/2
32 3/4	17 5/8	Ad Micro P	3.00	10.9	10	6145	27 7/8	27 1/2	27 5/8	-1/4
7 3/4	5 1/2	Advest Grp	0.16	2.2	12	33	7 1/8	7	7 1/8	+1/8
24 3/4	16 1/8	Advo Inc	0.08	0.5	17	101	16 1/4	d16	16 1/4	-1/4
49 7/8	41 1/8	Aegon ADR	1.23	2.4	10	156	u50 1/8	49 3/4	50 1/8	+1/8
60 1/2	43 3/8	Aetna Li	2.76	4.7	41	2395	59 3/8	58 5/8	58 3/4	+1/8
14 1/2	11 1/2	[illegible]	0.26	1.9	29	351	14	13 3/4	14	
34	26 1/2	Aflac	0.40	1.2	15	388	32 1/8	31 5/8	32 1/8	-1/4
22 1/8	16 3/4	Ahmanson	0.88	4.4	8	615	20	19 3/4	20	-1/8
7 3/4	3 7/8	Aileen Inc			4	319	4	d3 5/8	3 7/8	-1/2
48 1/2	24 7/8	Air Pr Chm	0.92	2.3	15	2047	40 1/2	39 5/8	40	-1/2
26 1/2	18 1/8	Airborne Frt	0.30	1.3	29	294	22 3/4	22 5/8	22 5/8	-1/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on next page

4 pm close September 14

NYSE COMPOSITE PRICES

Continued from previous page

- S -

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
22	15½	S Anita Rt	1.36	7.7	15	85	17¾	17½	17¾	+¼
20¾	14⅞	SCOR US Cp	0.32	2.0	201	10	16⅛	16⅛	16⅛	
29¾	20	SPS Techno	1.28	4.8	19	3	26¾	26¾	26¾	-⅜
14⅞	12⅞	Sabine Rlt x	1.74	11.7	10	76	u14⅞	14¾	14⅞	
13⅞	8⅞	Safecard	0.20	1.5	13	80	13¼	13	13	-⅜
23½	18⅞	Safeg'd Sc			9	85	20⅞	20⅜	20½	-¼
24¾	14⅜	SafetyKln x	0.36	2.3	24	734	16⅝	15⅞	15⅞	-½
19¾	10⅞	Safeway			29	999	19⅛	18⅝	18¾	-¼
4⅞	2	SafewayW96				29	u4¼	4⅛	4¼	+⅛
55	37½	StJoePaper	0.20	0.4	141	82	48¾	48	48⅛	-⅝
37⅞	31	StJoeLtP	1.76	4.7	15	53	37⅞	37	37⅝	+½
94	75	St Paul's	2.80	3.0	15	228	92	90¾	92	
11⅞	7⅞	Salant Crp			4	10	8⅜	8¼	8¾	-¼
75¼	39⅞	Sallie Mae	1.20	2.6	10	1579	45¾	45¼	45½	-⅛
14⅞	13	Salomon Br	0.32	2.3		257	13⅞	13¾	13⅞	+⅛
51⅞	34	SalomonInc	0.64	1.3	12	1610	51	50⅜	50½	-1
27¾	23¼	SanDgo G&E	1.48	5.5	14	305	26⅞	26¾	26¾	-⅛
4¾	3½	SantaFeEDu	0.40	8.0	50	232	u5	4¾	5	+¼
11⅞	9⅛	SantaFeERs	0.16	1.6	512	4031	10¼	9⅞	10¼	+⅛
40¾	35¾	SantaFePac	2.80	7.4	13	64	38	37⅞	38	+⅛
19	12¾	SantaFPac	0.10	0.5	12	2860	18¾	18	18¼	-⅛
31⅛	21	Sara Lee	0.58	2.3	18	2547	25⅝	25¼	25⅝	
51⅞	40⅛	Scana Corp	2.74	5.4	16	93	51¼	51	51⅛	-¼
25¾	21½	Scecorp	1.42	5.7	15	4989	25½	25	25	-½
35⅞	23⅞	ScheringP			24	581	29⅞	29¾	29⅞	[illegible]
[illegible]										

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

AMEX COMPOSITE PRICES

4 pm close September 14

[illegible]

NASDAQ NATIONAL MARKET

4 pm close September 14

- A - B - C - D - E - F - G - H - I - J - K - L - M - N - O - P - Q - R - S - T - U - V - W - X - Y - Z -

[illegible]

AMERICA

Retail sales data fail to provide lift for Dow

Wall Street

DISAPPOINTING news on inflation and a weak bond market pushed share prices on Wall Street sharply lower, as stronger-than-expected retail sales figures failed to impress equity traders, *writes Frank McGurty in New York.*

At 1pm, the Dow Jones Industrial Average was down 22.91 at 3,611.29. The more broadly based Standard & Poor's 500 was 3.15 lower at 458.91, while the Amex composite was off 2.55 at 451.75, and the Nasdaq composite fell 8.60 to 731.72. Trading volume on the NYSE was 145m shares by 1pm.

Stocks opened moderately lower in reaction to an early sell-off in the Treasury bond market. The bearish mood was triggered by the release of August's consumer price index, which showed a 0.3 per cent rise in retail prices last month. Analysts had expected a 0.1 per cent uptick.

A surprising 0.6 decline in the August producer price index, released last Friday, had served to heighten expectations of moderating inflation on the retail level as well.

As the morning progressed, share prices slipped further. Traders took little comfort in August retail sales figures, which showed a 0.2 per cent gain, compared with forecasts of a slight drop. Indications of growing consumption – and a more buoyant economy – were mitigated by an upward revision in the July figure, to 0.3 per cent, suggesting a declining trend.

AMR, parent of American Airlines, fell $⅞ to $63⅞ after announcing 5,000 job cuts by the end of 1994. Other US airlines, which on Monday cut fares by up to 45 per cent on domestic flights, also lost ground. UAL, operator of United Air Lines, shed $2¾ to $143¾ and Delta slipped $1⅞ to $52⅞.

Viacom, which this week agreed to acquire Paramount Communications in a cash-and-stock transaction now valued at $7.9bn, slumped on a report that heavy buying by Viacom's chairman had helped boost its share price in the weeks before the announcement. On the Amex, Viacom's class-A shares shed $3¼ to $61, while its class-B non-voting shares were down $2½ at $54¼. Paramount was trading at $62, down $2¼.

After a big sell-off late on Monday, Compaq Computer regained value early in the session as the company sought to play down its announcement of flat personal computer shipments in the second half. By midday, however, shares were down an additional $1 at $55¼.

Home Depot dropped $3¼ to $37¼ after Goldman Sachs removed it from its recommended list.

Canada

TORONTO fell slightly at midday as a generally negative market overcame gains in recovering gold issues.

The TSE-300 composite index edged down 2.48 to 3,969.29 at noon in turnover of C$320.51m. Declining issues led advances 309 to 227, with 292 unchanged.

The market's negative tone was attributed partly to a weaker bond market and declines in US stocks.

EUROPE

Zurich returns to work in positive mood

A stronger dollar helped some of the bourses yesterday, *writes Our Markets Staff.*

ZURICH returned to work after Monday's local holiday in unexpectedly positive mood. The SMI index rose 22.7 to 2,388.3 with Soffex related position squaring helping.

Mr Beat Alpiger of Bank Julius Baer in Zurich commented that signs had begun to emerge last week that the market was bottoming out.

However, yesterday's trend had been unexpectedly positive since the overall environment had not changed. He had expected a further consolidation;but instead, he thought that the market was now beginning to build hopes that the Swiss National Bank would follow Germany's lead and reduce interest rates.

Among banks, UBS added SFr29 to SFr1,140 and SBC added SFr11 to SFr454, and in pharmaceuticals, Roche certificates put on SFr50 to SFr1062.

Swissair dipped SFr5 to SFr730 in spite of announcing that negotiations were continuing on its planned merger with KLM, SAS and Austrian Airlines and that it was confident of a decision soon.

Ms Susanne Borer of Bank Vontobel in Zurich, commented that such a link would provide a number of benefits for Swissair, including access to the European Economic Area, and further opportunities for rationalisation of services and cost cutting.

FRANKFURT managed an 8 point gain as investors remained generally inactive, partly on account of Friday's triple witching.

The DAX index closed at 1,880.57, after a high of 1,884 and a low of 1,876. Turnover was DM5.4bn.

Mr Jochen Waiblinger of BHF bank commented that the market was going through a consolidation phase at present and that it was possible that the next two weeks could see the index dropping further.

A number of factors remained on investors' minds, he said, including the macro economic picture. Data should be available later in the month, he noted, which would provide an indication as to the expected direction of the German economy. If the signals were that the recession had bottomed-out it was to be expected that buyers would come back into the market, he said, and that a range of cyclicals would provide attraction, as well as some financials and chemicals.

Among the day's movers, Preussag and Degussa both rose DM5 to DM411 and DM344.50 respectively.

PARIS moved in a narrow range before settling higher on the day. The CAC-40 index finished up 15.07 at 2,134.14, after a high of 2,141 and a low of 2,121. Turnover was FFr3.1bn.

Eurotunnel maintained Monday's active trading, although there was an absence of news to explain the gains. Having seen a year's high of FFr44.60 the shares slipped back in late trading to close 35 centimes higher at FFr43.70.

Lafarge Coppée announced that it planned to raise FFr2.5bn in cash and to offer a 1 for 10 share issue by the end of the year, and the shares put on FFr7 to FFr421, but off the day's high of FFr427.

The news from Legrand, which announced its interim results, pleased market analysts and the shares gained FFr205 to FFr4,815.

AMSTERDAM was lifted by a stronger dollar as the CBS Tendency index added 0.9 to 125.2. Activity was seen in Akzo, up Fl 3.40 to Fl 172.20 and DSM, up Fl 1.40 to Fl 94.40 and Ahold, up Fl 1.80 to Fl 89.70.

MILAN was helped ahead by US fund buying and the firmer lira, with telecommunications issues and insureres among the beneficiaries. The Comit index added 8.59 or 1.4 per cent to 606.14, with prices underpinned by short-covering ahead of today's close of the monthly trading account.

Fiat's insurance unit Toro rose L1,576 or 5.2 per cent to L31,731, aided by speculation it will soon be sold as part of Fiat's asset disposals. Alleanza added L692 to L20,958 and Generali was L638 higher at L40,444.

Trading in Ferruzzi began almost two hours late after no buyers could be found for 27m sell orders. Subsequently, the share again plunged L40.40 to L363, the fall matching 10 per cent declines seen in the two previous trading sessions.

San Paolo shed L521 or 4.8 per cent to L10,272 after details of its proposed merger with two subsidiaries, Banco Lariano and Banca Provinciale Lombarda, were announced on Monday night. Analysts noted that this had presented an arbitrage opportunity to short San Paolo and go long on Lariano as a way of buying into San Paolo at a discount.

STOCKHOLM saw profit-taking in Ericsson B shares leave the stock down SKr11 to SKr398, while Volvo B managed a SKr2 rise to SKr432. The Affärsvärlden general index rose 1.9 to 1,287.5.

MADRID rose at the close, pulled up by US quoted stocks and the general index added 3.53 to 288.68. Banesto recovered Pta95 or 3.8 per cent to Pta2,560 as one US broker upgraded the stock.

FT-SE Actuaries Share Indices THE EUROPEAN SERIES

September 14 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1281.21	1282.33	1282.14	1283.11	1283.52	1282.98	1280.22	1279.94
FT-SE Eurotrack 200	1355.70	1355.68	1356.09	1359.97	1360.88	1359.09	1357.51	1357.12

	Sep 13	Sep 10	Sep 9	Sep 8	Sep 7
FT-SE Eurotrack 100	1351.64	1263.72	1265.95	1266.53	1277.38
FT-SE Eurotrack 200	1276.64	1355.64	1362.52	1363.68	1365.81

Base value 1000 (26/10/90) Highday: 100 - 1284.07; 200 - 1363.40 Lowday: 100 - 1278.92 200 - 1355.01.

Manila enjoys benefit of renewed overseas interest

Jose Galang on the rally in Philippine equities

Philippine equities have been enjoying a rally recently as foreign investors have been active buyers of the market.

Although the composite index yesterday fell back slightly, closing at 1,954, the mood remains bullish. In the past week the index has set a succession of record highs, closing on Monday at 1,978.81.

A surge in turnover, to a daily average of 720m pesos last week, has also fortified support for historic highs for selected commercial-industrial counters. During the previous "mini-boom" in May, average turnover was 510m pesos a day, which slowed down to some 450m in the succeeding months.

Analysts had been anticipating profit-taking in early September after the market reached record levels in late-August. Since the index broke through the May peak on August 23, however, the advance has been sustained by strong buying support.

Obervers had expected a slowdown in the rally to coincide with the return on September 7 of the body of Mr Ferdinand Marcos, the former Philippine president, ousted from office in 1986 and forced to flee to Hawaii, where he lived in exile until his death in 1989.

However, lean crowds turned up at the Marcos homecoming and funeral, which bolstered earlier assessments by government officials that the former dictator and his supporters were really "a spent force".

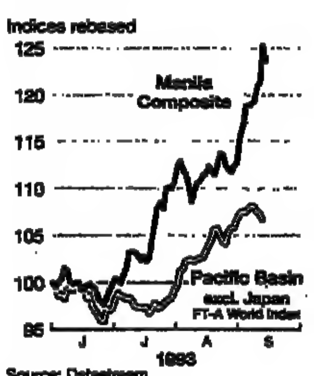
Analysts also cited the Philippine GNP figures reported late last week as a positive factor for shares. According to government data, GNP grew by 1.8 per cent in the first half, after remaining mainly stagnant since 1990.

Providing the most inspiration to the market's recent advance has been PLDT, which has also been moving up in New York where it is listed as an ADR. Brokers say US investors have found the stock an attractive buy among the telecommunications groups traded on Wall Street.

Another active issue, beer and food giant San Miguel, has seen the "B" shares rise to 150 pesos, from 136 pesos in late-August.

Analysts see the "excess liquidity" in the financial system as a factor that could favour the market over the short term, even if a rise in interest rates soon could provide a dampener.

Philippines



Source: Datastream

A reversal of the recent decline in Treasury bill rates, which had become the benchmark for commercial lending rates, has started diverting funds back into the money market, according to brokers.

The government is rumoured to be planning a cut in the volume of T-bills being auctioned weekly. That, however, does not change the budgetary gaps that the government will continue to contend with, and which it had filled in the past with huge borrowings through Treasury bill flotations.

The recent softness of the peso rate against the US dollar, which could continue in the next few weeks as industries increase imports of raw materials ahead of the seasonal year-end rise in consumer purchases, has also lured investible funds away from equities, finance executives admit.

The peso has dropped by some 8 per cent since the beginning of the year, in spite of occasional central bank intervention in forex trading.

The Manila market has been trading at a price/earnings multiple of around 15 in recent weeks, which local brokers still view as a competitive level in the Asian context.

While economic growth for 1993 is now conceded to be slower than earlier targets, an improvement in the power situation is expected to provide a boost next year. Daily power outages have been shortened to about four hours (from six-to-eight hours three months ago), thanks to the commissioning of some of the so-called "fast-track" power plants built over the past 12 months.

A central bank survey early this year showed that optimism over prospects for the second half of this year ran high among industries based in metro Manila. Many of these industries, according to the survey, were also making expansion plans.

The stock market is also expected to gain from the projected link-up in the computerised trading operations of the two local exchanges. The interconnection will result in a "one-price market" for equities, as against different prices quoted at the two exchanges.

Market capitalisation is also expected to gain further towards the year-end with the expected new listing of at least five companies, along with an additional offering of 2.5bn pesos by Meralco, whose initial listing early last year was among the most successful locally.

ASIA PACIFIC

Nikkei slips back as institutions take profits

Tokyo

INSTITUTIONAL investors looking to realise profits on their holdings took advantage of the Nikkei average's jump on Monday, and the index closed below the 21,000 level, *writes Emiko Terazono in Tokyo.*

The 225-issue index, which closed above 21,000 for the first time in five trading days on Monday, shed 200.32 to 20,947.79 on active selling ahead of the mid-term settlements for *tokkin*, or specified money trusts and fund trusts.

The Nikkei rose to the day's high of 21,171.72 shortly before the opening, and fell to the day's low of 20,924.69 in the afternoon session. The market saw support from public funds and foreign investors.

Volume totalled 300m shares, against 283m. Declines led advances by 721 to 285, with 179 issues unchanged. The Topix index of all first section stocks dipped 14.18 to 1,680.33, its first fall in three trading days. In London the ISE/Nikkei 50 index firmed 0.11 to 1,287.02.

Market participants moved to adjust positions ahead of a public holiday today. Investors also remained cautious ahead of the spate of economic indicators announced after the market closed.

Japan's August trade surplus rose 7.5 per cent, while the first-quarter GNP for the fiscal year to March fell 0.5 per cent. Machinery orders, however, cast some light on the gloomy outlook, as August private sector orders rose 5.6 per cent from the previous month.

Euphoria over the government's economic support package, to be announced tomorrow, faded as many investors now expect the package to be centred around tax breaks for housing and education, which may not have a direct impact on the economy.

A fall in gold bullion prices depressed metal and mining issues. Sumitomo Metal Mining weakened Y26 to Y927 and Mitsubishi Material Y9 to Y491.

Large-capital issues, which gained ground on Monday, were lower on profit-taking. Nippon Steel eased Y1 to Y346 and NKK Y4 to Y285, while Mitsubishi Heavy Industries slipped Y10 to Y687.

Housing-related shares were among the gainers yesterday, on hopes of a rise in housing demand due to the government's move to ease housing taxes. Sanwa Shutter put on Y50 at Y1,110 and Takara Standard firmed Y20 to Y1,490.

In Osaka, the OSE average lost 34.58 to 22,963.97 in volume of 57.8m shares.

Roundup

MANY OF the Pacific Rim markets were under pressure.

AUSTRALIA fell to its lowest level for almost a month, hit by tumbling gold prices and a lower local dollar. The All Ordinaries index sank 25.4 to 1,912.9, although turnover held up at A$392m.

The golds marker plunged 126.8, or 7 per cent, to 1,703.0, influenced by bullion's losses. North Flinders Mines tumbled 64 cents to A$11.24.

News Corp was a notable loser among industrial stocks, sliding 20 cents to A$10.58 on profit-taking.

NEW ZEALAND's consolidation continued, with forestry stocks still under pressure, and the NZSE-40 capital index ended 8.19 down at 1,963.22 in turnover of NZ$50.2m.

The market was unmoved by Prime Minister Jim Bolger's announcement that the general election will be on November 6, or by the latest opinion poll, which gave the Labour party opposition a slight lead.

Brierley Investments ended steady at NZ$1.22 in heavy trading that accounted for almost half the day's volume.

HONG KONG finished slightly lower after a day of slow and narrow trade amid cautious sentiment due to renewed Sino-British friction over proposed political reforms. The Hang Seng index was 2.12 off at 7,473.85.

SEOUL was subject to aggressive institutional selling which put further pressure on the market in a day of sharply reduced trading volume, pulling the composite index back 5.38 to 695.37.

TAIWAN saw late bargain-hunting lift stocks off early lows, but turnover shrank with many investors sidelined on a lack of fresh news.

The weighted index closed 14.79 lower at 3,826.50.

BOMBAY saw a late rally triggered by foreign institutional buying in a trading session halved to one hour to enable settlement in cash shares. The BSE-30 index rose 18.44 to 2,807.64.

SOUTH AFRICA

AFTER Monday's losses, gold shares saw late gains yesterday, helped by a rally in the bullion price. The golds index advanced 46, or 3.1 per cent, to 1,527. The industrials index dipped 5 to 4,531 and the overall index gained 7 at 3,831.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY SEPTEMBER 13 1993								FRIDAY SEPTEMBER 10 1993					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1993 Low	Year ago (approx)
Australia (69)	142.03	+0.2	136.51	95.39	118.96	145.10	-0.2	3.54	141.79	135.71	95.23	117.80	145.38	148.84	117.39	133.13
Austria (17)	176.58	+0.5	169.73	118.60	147.90	147.70	+1.1	1.31	175.67	168.13	117.96	145.94	146.16	180.43	131.16	157.05
Belgium (42)	153.12	+0.3	147.18	102.83	128.25	129.15	+0.0	4.44	152.66	146.12	102.52	126.83	129.13	156.76	131.19	142.26
Canada (107)	123.57	-0.6	118.77	82.99	103.49	117.76	-0.5	2.88	124.35	119.02	83.51	103.30	118.36	130.38	111.41	126.90
Denmark (32)	230.54	-0.5	221.58	154.84	193.09	207.33	-0.3	1.09	231.73	221.79	155.64	192.52	207.93	232.42	185.11	207.81
Finland (23)	110.33	-1.8	106.04	74.10	92.41	131.54	-1.5	0.80	112.33	107.51	75.45	93.32	133.61	118.56	65.50	55.59
France (97)	170.23	+0.5	163.62	114.32	142.57	149.80	+0.5	3.08	169.48	162.19	113.80	140.77	149.12	170.50	142.72	163.75
Germany (60)	126.41	-0.3	121.50	84.91	105.88	105.88	+0.5	1.99	126.79	121.36	85.17	106.34	106.34	128.77	101.59	116.56
Hong Kong (55)	296.69	-1.6	285.16	199.26	248.50	294.65	-1.7	3.37	301.63	288.70	202.58	250.60	299.64	302.14	218.82	230.49
Ireland (14)	172.61	-0.2	165.91	115.93	144.57	167.74	+0.0	3.34	172.94	165.53	116.15	143.68	167.71	173.06	129.28	149.98
Italy (70)	76.97	+1.6	73.98	51.69	64.47	88.36	+1.5	1.85	75.74	72.50	50.87	62.92	87.06	78.93	53.76	56.36
Japan (470)	158.42	+1.1	152.26	106.40	132.70	106.40	+1.1	0.78	156.67	149.95	105.22	130.18	105.22	165.91	100.75	111.52
Malaysia (69)	402.19	+1.1	386.57	270.11	336.84	393.67	+1.0	1.75	397.64	380.59	267.05	330.35	389.67	410.47	251.66	237.94
Mexico (19)	1745.31	-0.7	1677.52	1172.19	1461.80	5937.46	-0.7	0.83	1756.82	1681.50	1179.92	1459.56	5977.58	1771.58	1410.30	1224.29
Netherland (24)	184.76	-0.7	177.58	124.09	154.75	152.67	+0.2	3.58	186.07	178.09	124.97	154.59	152.40	187.18	150.39	161.40
New Zealand (13)	60.66	-0.8	58.31	40.74	50.81	58.53	-0.7	3.81	61.17	58.55	41.09	50.82	58.95	62.98	40.56	43.59
Norway (22)	175.78	+1.7	168.95	118.06	147.23	166.77	+1.8	1.58	172.87	165.45	116.10	143.62	163.89	177.31	137.71	147.18
Singapore (38)	288.60	+0.5	277.39	193.83	241.72	212.40	+0.4	1.62	287.26	274.94	192.93	238.65	211.54	290.53	207.04	193.93
South Africa (60)	176.89	-1.7	170.02	118.80	148.15	188.67	-0.7	2.77	179.88	172.16	120.81	149.44	190.09	215.29	144.72	183.59
Spain (43)	139.06	-1.0	133.66	93.40	116.47	134.69	-1.2	4.23	140.49	134.46	94.36	116.71	136.28	140.97	115.23	137.78
Sweden (36)	191.48	+0.8	184.04	128.60	160.38	222.59	+0.9	1.51	189.88	181.74	127.53	157.75	220.59	196.23	149.70	171.92
Switzerland (50)	135.70	-0.9	130.43	91.15	113.67	118.41	+0.0	1.83	136.97	131.10	92.00	113.81	118.41	138.04	108.91	111.89
United Kingdom (218)	190.15	-0.8	182.76	127.70	159.25	182.76	-0.4	3.90	191.70	183.48	128.74	159.25	183.48	191.70	162.00	180.44
USA (520)	188.82	+0.1	181.49	126.82	158.16	188.82	+0.1	2.71	188.65	180.56	126.70	156.73	188.65	189.40	175.38	173.39
Europe (748)	158.49	-0.4	152.34	106.45	132.75	145.73	+0.0	3.10	159.06	152.24	106.83	132.15	145.66	159.19	133.92	145.22
Nordic (113)	180.90	+0.3	173.88	121.50	151.52	183.87	+0.4	1.34	180.44	172.70	121.19	149.91	183.17	183.23	142.13	156.52
Pacific Basin (714)	162.45	+0.9	156.14	109.11	136.06	113.68	+0.9	1.04	160.95	154.05	108.10	133.72	112.64	168.80	105.89	115.84
Euro-Pacific (1462)	160.71	+0.4	154.47	107.93	134.60	126.97	+0.6	1.87	160.06	153.20	107.49	132.97	126.27	162.86	117.26	127.73
North America (627)	184.77	+0.1	177.60	124.11	154.79	184.01	+0.1	2.72	184.65	176.74	124.03	153.44	183.88	185.59	171.51	170.49
Europe Ex. UK (530)	138.48	-0.1	133.10	93.02	116.01	124.30	+0.3	2.56	138.56	132.62	93.08	115.14	123.88	139.43	112.51	123.89
Pacific Ex. Japan (244)	202.50	-0.4	194.63	136.02	169.62	188.88	-0.5	3.01	203.32	194.60	136.57	168.93	189.91	205.61	152.70	158.27
World Ex. US (1648)	160.59	+0.3	154.35	107.86	134.51	128.86	+0.5	1.90	160.04	153.18	107.50	132.97	128.22	162.89	118.51	128.91
World Ex. UK (1950)	166.94	+0.4	160.46	112.13	139.84	143.91	+0.4	2.02	166.34	159.21	111.72	138.21	143.29	168.50	134.22	139.38
World Ex. So. Af. (2108)	169.07	+0.3	162.50	113.56	141.62	147.06	+0.4	2.20	168.63	161.40	113.26	140.10	146.53	170.43	137.29	142.74
World Ex. Japan (1698)	176.64	-0.1	169.78	118.64	147.97	170.38	+0.0	2.85	176.89	169.30	118.81	146.98	170.37	177.11	157.47	160.90
The World Index (2168)	168.99	+0.2	162.42	113.50	141.55	147.45	+0.4	2.20	168.57	161.34	113.22	140.06	146.94	170.42	137.32	142.93

Latest prices were unavailable for this edition. Swiss market (Zurich) closed September 13.